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OVERSIGHT HEARING ON THE JOB TRAINING PARTNERSHIP ACT

(Part 3)

ORIGINAL

HEARING

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

HEARING HELD IN MONTEBELLO, CA, NOVEMBER 8, 1985

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OVERSIGHT HEARING ON JOB TRAINING PARTNERSHIP ACT

(Part 3)

FRIDAY, NOVEMBER 8, 1985

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EDUCATION AND LABOR,
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES,
Montebello, CA.

The subcommittee met, pursuant to call, at 9:33 a.m., in city council chambers, city hall, Montebello, CA, Hon. Matthew G. Martinez presiding.

Members present: Representatives Martinez and Hayes.

Staff present: Eric P. Jensen, acting staff director; Paul Cano, assistant staff director; Genevieve Galbreath, chief clerk/staff assistant; Dr. Beth Buehlman, Republican staff director for education; and Mary Gardner, Republican legislative associate.

Mr. MARTINEZ. Before we actually start taking the witnesses, I have an opening statement. Charlie, do you have an opening statement?

Mr. HAYES. At this time, Mr. Chairman, I think your statement will suffice. I don't have any.

Mr. MARTINEZ. All right. As the chairman of the Subcommittee on Employment Opportunities, I'd like to welcome you all here today. This is our hearing on title III of the Job Training Partnership Act.

The purpose of the hearing today is to focus on the implementation of the Dislocated Worker Program and to hear firsthand the concerns of those responsible for the program's administration. There is a very urgent problem confronting our Nation today. Since 1979, over 5 million workers have been displaced from their jobs. Many of them lack the skills and training needed to reenter the work force, and without the necessary retraining, these individuals could remain on the unemployment rolls indefinitely. Annually, something like 18,000 plants a year close and so the problem isn't getting any better; if anything, it's getting worse. We cannot afford to ignore the needs of our Nation's unemployed and it's the responsibility of the Congress and the President to provide these displaced workers eager to work the resources necessary to obtain long-term employment.

One of our concerns is: Are we achieving that with this program? We owe it to these workers who have helped build America's industrial and economic base to do this. Over the past 2 years, title III of

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JTPA has provided long-term unemployed and those dislocated by plant closures or mass layoffs the training to prepare them for a smooth employment transition. One of the questions today is, in fact, that occurring or are we just skimming and are really the people of the greatest necessity are not receiving the training needed?

Through job placement assistance and support services, dislocated workers are given the resources to once again make them a viable work force in the U.S. labor market.

As of March 31 of this year, over 170,000 workers have taken part in the title III program. Of those enrolled, about 70 percent have gone on to gain employment. Although the program has been successful in reaching thousands of workers, there remain those who are in great need of the retraining services. The administration supported proposal to cut the program by 55 percent in 1986 will in the future place an even greater limit on the amounts of services provided under title III. In the face of these proposed cuts, it's crucial that the subcommittee continue to monitor the implementation of title III in order that the program's mandate to serve the needs of our dislocated workers is effectively fulfilled. We must all recognize the program's important role in helping prepare our Nation's work force to meet the needs of a vastly changing technological economy. I would simply say that we need more funds, not less, and if we're going to make the case, we've got to get this valuable information back to the committee so it can make its reports and try to encourage the committee to fight harder for more funds.

With that, we'll start our hearing with the first witness, Mr. George Cole.

[Opening statement of Hon. Matthew Martinez follows:]

OPENING STATEMENT OF HON. MATTHEW MARTINEZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA AND CHAIRMAN, SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

As chairman of the Subcommittee on Employment Opportunities, I would like to welcome you all to our hearing on title III of the Job Training Partnership Act. The purpose of today's hearing will be to focus on the implementation of the dislocated worker program and to hear first hand the concerns of those responsible for the program's administration.

There is a very urgent problem confronting our Nation today; since 1979, over 5 million workers have been displaced from their jobs. Many of them lack the skills and training needed to reenter the work force. Without the necessary retraining, these individuals could remain on the unemployment rolls indefinitely.

We cannot afford to ignore the needs of our Nation's unemployed. It is the responsibility of Congress and the President to provide those displaced workers eager to work the resources necessary to attain long term employment. We owe it to these workers who have helped shape and build America's industrial and economic base.

For the past 2 years, title III of Job Training Partnership Act has provided long term unemployed and those dislocated by plant closures or mass layoffs the training services to prepare them for a smooth employment transition. Through a mix of training, job placement assistance, and support services, dislocated workers are given the resources to once again make them a viable force in the U.S. labor market. As of March 31st of this year, over 170,000 workers have taken part in the title III program. Of those enrolled, about 70% have gone on to gain employment.

Although the program has been successful in reaching thousands of workers, there remain those who are in great need of retraining services. The administration supported proposal to cut the program by 55% in 1986 will in the future place an even greater limit on the amount of services provided under title III. In the face of these proposed cuts, it is crucial that the subcommittee continue to monitor the implementation of title III in order that the program's mandate to serve the needs of

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our dislocated workers is effectively fulfilled. We must all recognize the program's important role in helping reshape our Nation's work force to meet the needs of a vastly changing technological economy.

STATEMENT OF GEORGE COLE, COUNCILMAN, CITY OF BELL, CA

Mr. COLE. Good morning, Congressmen and friends. I would like to start off with just a little story about a friend of mine I worked with for 10 years at Bethlehem Steel whose name was Joe Temblador. In 1982, Joe Temblador was 38 years old and had just completed 20 years of work at Bethlehem Steel Corp., here in the Vernon area when the plant shut down. So, at 38, still being a strong young man, he went out and found himself another job at a place called Dawson Steel in the city of Long Beach. And, after several months, Dawson Steel closed. Still being aggressive and wanting to work, he went out and found a job at Armco Steel in the city of Torrance. And, after several months, Armco Steel closed. Still wanting to work and needing to work to feed his family, pay his mortgage, he found himself a job at Soule Steel and went through a little bit of a bitter strike there and went back to work after the strike and several months after the strike Soule Steel closed.

So, in a period of less than 3 years, Joe Temblador went through four plant closures. And this is maybe an extreme example, but I don't think all the real statistics have come in about what the impact of displacement has been on working people here in Los Angeles County. The regional planning department up at U.C. Berkeley has been working with raw data gathered by the Bureau of Labor Statistics to try to put together how plant closures have affected the State of California and they were surprised themselves with the information that they had developed from that. That information told them that between 1979 and 1984, in Los Angeles County alone, one out of every five persons employed in the manufacturing sector lost their job permanently due to plant closures; over 193,000 people in that 5-year period employed in manufacturing were put out of work permanently because of plant closures. The total number for Los Angeles County and the Anaheim area of people who lost their jobs because of business failures and business closures was 442,000 during that 5-year period. Ten percent of the figure that you cited previously of the national figure of those displaced nationally were right here in Los Angeles County, almost 10 percent.

I myself worked at Bethlehem Steel and went through the plant closure there and, afterward, we, through the union, established a food program and began working with the employment development department and the State of California to set up training programs for the people who were displaced in that plant closure.

Working with the United Auto Workers, the Auto Workers training project, Training Corp., submitted two proposals to the county of Los Angeles for JTPA funding for displaced workers who were displaced by the closure of Bethlehem Steel. We never even received a response from the county of Los Angeles to those two proposals. Throughout that time period, not a single job training program in the first year after Bethlehem Steel closed, not a single job training program was established using job training partners to

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back funds because of the policies of Los Angeles County and the way in which they divide these funds up.

The area probably most impacted by plant closures in Los Angeles County is the south and southeast area of Los Angeles County, including the cities of Bell, Bell Gardens, Maywood, Cudahay, Commerce, South Gate, Huntington Park, and other areas of the county down in that area. Yet, this year the total funding under title III available for residents in that area of Los Angeles County, an area where the unemployment rates persist and continue to be well over the national average for the city of Bell, where I'm a councilman, the unemployment rate is 12 percent and has been 12 percent or more since 1980; in surrounding cities, the unemployment rates run from 12 to 15 to 20 percent, and yet, there are only $126,000 available under title III from the county of Los Angeles for job training programs for the residents of those areas. Most of the money goes to service delivery areas that do not include the southeast cities and so, therefore, the residents of the southeast cities have to turn elsewhere to find employment training possibilities.

Through our food project that we have established with the Steel Workers Old Timers Foundation we serve approximately 10,000 families each month with bags of food and we provide an additional 4,000 hot lunches every month through a meal program that works both with the UAW training project and with another training program called the center for employment training to provide hot meals, hot lunches, for the students enrolled in those training programs.

The director for the center for employment training, which is located in Vernon now, has many times tried to apply for and has applied for funding from Los Angeles County for JTPA funds, specifically for displaced worker funds, and has not been able to do so. There are only a very few training programs located right in this group of communities that have been most impacted by plant closures that have received any JTPA funds for displaced workers, one of them being the UAW training program. The places that people have to go are up in Los Angeles or down to Long Beach or out to Whittier and places like that in order to receive job training funds, funded education programs.

At the same time, even with the programs that exist at some of these facilities, they are very questionable as to their benefit because they do not provide a real solid link with industry and they do not have a time period that they enroll the students in that provides enough of an education, enough of a training, for them to be able to find suitable employment again.

One of the members of our local union and a resident in the community of Bell who had lost his job when Bethlehem Steel closed down went through several training programs that were established in cooperation with the State and the regional occupational training centers. And, at the end of more than a year in training in these various programs, was still not prepared enough for the kind of job market that exists today, a very highly competitive one, and was not trained enough in the field where he was being trained, which was in refrigeration and air-conditioning, to be able to find a job in that field. One year is simply not enough time, unless there are very special linkages with industry from those job training pro-

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grams that specifically tailor that training for the industry. As a result, Mr. Andreas is still unemployed today, 3 years after the closing of Bethlehem Steel, even though he has tried very hard and has gone out and put applications in all over town.

I think part of this speaks to the problem that is faced by older workers who are in their forties and in their fifties and the special kind of job discrimination that they face and the need for special training programs more tailored to displaced older workers.

I just think, though, that given these statistics that there is not nearly enough funding being made available. There's only 3 million some dollars available in the entire county of Los Angeles overall for JTPA. Now, how does that begin to make a dent in the number of displaced workers here that we're talking about when you have over 400,000 people in a 5-year period who lose their jobs and are displaced because of business closings? Three million dollars doesn't even begin to provide adequate training for that type of problem and for the real devastation and disaster that that represents to our community. Thank you very much.

Mr. MARTINEZ. Mr. Cole, I was going to ask you a question but you partially answered it already. Do you feel that title III really doesn't meet the retraining needs in your community? It would be a particularly interesting comment because you represent an area as a councilman that has been very heavily impacted by plant closures—in fact, in the 30th Congressional District, throughout the 30th Congressional District, there's been quite a number of plant closings and the whole area's really affected and I think your statistic of 12-percent unemployment rate which is 5 percent above the national average in that particular area is not too far off the mark on the whole district.

Mr. COLE. No, I really don't. The county of Los Angeles says that they have assigned close to $400,000 in JTPA money for the residents of the city of Bell yet I know of only one program located in the city of Bell that is a very small program for youth employment that has received JTPA money. Now, the comments from the county that you get are: " Well, there are sources that they can use by going to school up at the Chinatown Center. They can go up to Clellan House. They can go over to this one or that one." Well, the problem is none of these places are doing any outreach in the city of Bell, first of all. It would be a lot better spent, I think, working out some other arrangements, you know, if the idea is that $400,000 in JTPA funds have been allocated for the city of Bell, let's figure out how to make that reach into the city of Bell and have an impact on the unemployed and the displaced workers in the city of Bell. I think the same is true for the other cities.

The way the county does the funding is that they have job training consortiums that they fund directly; then, the county, for areas that don't have a job training consortium, the county serves as the funding agency for providing the training programs for those areas. But, what really in fact happens is those areas end up being neglected in terms of real funding.

Mr. MARTINEZ. The individual providers of that training service apply directly to the county. The county does some kind of an investigation to find out if they can, in fact, provide those services.

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Would you like to see in that regard more effort or emphasis on let's say particular communities like Bell?

Mr. COLE. Because you take that whole area, in that area where we are, Bell, these cities there, you had the major concentration of heavy industry from the steel plants, the auto plants, and the rubber plants that have, during that 5-year period, 1979 to 1984, all closed down and disappeared and made a tremendous impact and devastated those communities tremendously leaving this, you know, consistent and persistent high level of unemployment. The funding needs to be made available right to those communities in a better kind of way. Plus, it's not even enough funding. I mean, $126,000 this year for those communities, total, doesn't even begin to scratch the surface of the needs, for the displaced workers in those communities.

Mr. MARTINEZ. Well, that's the answer to the other question I was going to ask you. How do you feel that 55 percent would impact, and it does impact dramatically.

Mr. COLE. I mean, it would make a farce of JTPA.

Mr. MARTINEZ. There's one assumption that you made based on your own personal observations but it's more than assumption because the GAO report indicates that it's true when you suggest that older workers are particularly not served by this and the GAO report indicated that individuals 55 years of age or older and seeking work are underrepresented among the title III participants. It actually is the case, according to a GAO report.

Mr. COLE. This has been a personal observation of mine because, through our food project, we work with a number of other unions who have been impacted by the plants closing down, both in the rubber industry, the auto industry, the other steel plants, and there's story after story of guys who worked at U.S. Steel, at one of the rubber plants, who were 45 years of age 8 years ago or 5 years ago when the plant closed who were still unemployed today, who have gone to work, have been laid off again, or haven't gone—haven't been able to really find anything substantial at all, and I think one of the most ironic things that happened—that I saw happen in the last year was when we were at a Bruce Springsteen concert in Los Angeles at the Coliseum or at the Sports Arena and he was talking about the plant closures and what had happened to people here and the guy who was working as the usher for the row where I was sitting had worked at Bethlehem Steel making $14 an hour before that plant closed and now was working for minimum wage at the Sports Arena as an usher and it was the only job that he had been able to find because he was 56 years of age.

Mr. MARTINEZ. You might be interested to know that on Thursday, I guess it was—yeah, Thursday—at a hearing before the Rules Committee on H.R. 1616, which is a plant closure bill, I made that very statement and used the percentages of people who are still unemployed from the Bethlehem Steel closure.

I have no more questions at this time. Mr. Hayes?

Mr. HAYES. Thank you, Mr. Chairman. As you've said, the witness has answered most of the questions that I would have raised. He's pointed out the inadequacies of the current program as it is. I think you've indicated the impact the proposed cut would make. If

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you're already hurting, you're going to be hurting more, so to speak.

There's one question that I think maybe that—I don't know if you answered it. Even with its current inadequacies, in the Job and Partnership Training Act Program, do you feel that those who are most in need are given the opportunity to take part in the retraining? We've had some complaints about skimming in other places and I'm trying to find out if this kind of situation exists here.

Mr. COLE. Well, it depends on who's providing the service. I had one experience with one particular job training agency here in the Los Angeles area that a number of steel workers and auto workers from the General Motors plant went through a specific program that we worked—set up there—and not a single steel worker ever got a job as a result of that. However, the agency used a lot of the money to buy computers. The students didn't have books for the first half of the program but they were able to buy computers with the money and, although it was supposed to have been a computer training program, the computers weren't on site until the last half of the program and the actual training was very inadequate and, again, not a single steel worker who had been enrolled in that program received any job as a result of that.

However, there are other programs, again, and I'd like to cite the UAW's program as one that's just—I think is, you know, an example, a good example of good linkages with the industry, good reputation, good you know, sincere effort at providing the training, and some of our steel workers have gone through their training program and have been employed and they have a very good success rate in that sense, from the people that we work with there who are students that we provide the lunches for who go on and get work as well as CET and others, including the Business Labor Council of Los Angeles, who work primarily with employment training panel funds of the State of California but were the most successful programs in terms of actually getting people into the job and not just into a job, because just getting into a job is not enough; it's got to be a job that has some quality to it and has something that pays well and means something and not as just an usher at the Coliseum or a fry cook at a fast food place.

Mr. HAYES. I guess that's part of what you meant when you said that only a very few in the area have benefited from JTPA. I think, as I understood it, you said industry of the area is not tailored to the training program or is it vice versa?

Mr. COLE. Vice versa.

Mr. HAYES. All right.

Mr. COLE. And those training programs that are tailored and work directly with industry have been the successful ones.

Mr. HAYES. Some more money is needed in order to have an effective program but it seems to me that we may have to have some changes as to how it's applied.

Mr. COLE. Well, you've got to make sure that it gets into the communities that need it. How can you have this community here that is probably in the most need yet there has been nothing done to get the money into that community in any real, hard, fast way.

Mr. HAYES. Thank you, Mr. Chairman.

Mr. MARTINEZ. Thank you, Mr. Hayes, and thank you, Mr. Cole.

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Mr. COLE. Thank you very much, sir.

Mr. MARTINEZ. Our next witness is William Gainer, Associate Director of the Human Resources Division of the General Accounting Office. Mr. Gainer, would you come forward? Would you like to introduce the people that are joining you?

Mr. GAINER. Yes, sir. On my right is Gaston Gianni, the group director for all of our employment work at GAO. On my left, Mr. Bob Rogers from our Detroit regional office, who directed the field work for the study we are going to talk to you about today.

Mr. MARTINEZ. All right. Would you commence?

STATEMENT OF WILLIAM GAINER, ASSOCIATE DIRECTOR, HUMAN RESOURCES DIVISION, GENERAL ACCOUNTING OFFICE

Mr. GAINER. Mr. Chairman, Mr. Hayes, we're pleased to be here today to help you with your oversight of the Job Training Partnership Act. As you know, the States have been given wide latitude to design programs and, in turn, the localities have wide latitude to design programs under this title which they feel work to the best advantage of dislocated workers in their areas. As a result of this, you find some central tendency to certain kinds of training and activities but, nonetheless, a wide variety of types of projects under the program. They range in size from projects that serve perhaps a hundred people to some that serve more than a thousand participants. Some are targeted at specific plant closures; others are targeted to general geographic areas. Project operators also vary substantially. Private industry councils and community-based organizations dominate, but there are also a number of employment services and unions and employers who run projects under the program.

The services, likewise, range from remedial education to classroom training to on-the-job training to support services, relocations, transportation, and child care.

We undertook this study for a particular reason, and that's the national data on this particular title of the act is in short supply. Demographics and placement data available from the Department of Labor are sketchy and unreliable. They have no project data. You can only get information on this program at the State level and DOL did not even know the number or the location of projects under title III. We had to gather that information ourselves before we could even undertake a study.

I would like to share with you today some preliminary data on the first 500 of 600 projects we surveyed nationwide. The results, I think, provide some useful baseline information on what's happened so far in the program regarding who's served, the services provided, and the kind of placement rates and I think they raise some interesting questions about the implementation thus far.

In particular, I'm going to talk about the enrolling characteristics, the services that they receive, and what some of the program outcomes were. At your request, we also analyzed the potential impact of the budget cuts that you mentioned earlier and we've got some specific information on California that we're going to share with you.

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First, I'd like to go into the participant characteristics. Title III projects enrolled over 170,000 workers by March 31, 1985. These participants generally matched the population of dislocated workers as estimated by the current population survey done in January of 1984 and covering a 5-year period from January 1979 to January 1984. Those workers that were displaced were generally white, 70 percent; 59 percent were male. Nearly all were in their prime working years; that is, between the ages of 21 and 55; and three-quarters had a high school education. But, as you mentioned earlier, there were some groups that were underrepresented in title III projects. First, workers 55 years of age and older and, secondly, those with less than a high school education. As you mentioned, the CPS study that we relied on as a comparative base here identified 5.1 million workers that were dislocated from January 1979 to 1984. Of these, 1.3 million were unemployed and seeking employment at the time of the survey, so that's about 25 percent or more. About 20 percent of both of these groups, those that were displaced and those still seeking employment, were 55 years of age or older. In contrast, though, only 8 percent of the people served by title III were over 55 years of age. I think a question that you could ask and maybe a question that States and localities should ask of themselves is that are they systematically doing something in the kind of training offered, whether approach to training that excludes workers over 55 years of age? And, a related question: Do they need to do a better job of outreach to that group?

The CPS analysis also showed that 32 percent of dislocated workers who were identified as seeking employment had less than high school as their educational background. In comparison, about 23 percent of program participants, that's about 9 percentage points less, had less than a high school education. In California, about 31 percent of title III participants had not finished high school.

We also found that the percentage of minorities being served by title III in California was considerably higher than the title III program nationally and that, overall, title III projects were serving a higher percentage of minorities than those identified in the CPS. Nationally, about 30 percent of title III participants were minorities as compared to 62 percent in California and as compared to 14 percent identified in the current population survey.

You also mentioned the question of whether or not the program was serving the long-term unemployed so I—while you were talking, I jotted down some numbers from backup materials here; 55 to 57 percent of the people who came into the program were on unemployment insurance. And, for those projects that could report it, which was about 300 projects—200 couldn't even report the length of unemployment—40 percent had been unemployed for less than 12 weeks, 27 percent between 3 and 6 months, and a third of the participants for more than 6 months. So, if you combine those numbers in a way, you get 57 percent on unemployment insurance overall and you have 33 percent that have probably exhausted their unemployment insurance because they've been out of work for 6 months or more.

I think one other thing that's interesting about the characteristics of the participants is that 60 percent of the participants came from the manufacturing sector; that's 10 percentage points more

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than identified in the CPS. In the CPS study, 50 percent of the people displaced were in the manufacturing sector.

As regards the services that are provided under title III, as I said earlier, most projects provide a mix of services—training, job placement, job placement assistance, support services, and so on. But, while placement assistance is provided to nearly everyone, that is, counseling and job search assistance, only about 50 percent or less, probably somewhat less than 50 percent, are trained in any way and less than a quarter receive any kind of supportive services. I think that's probably pretty much based on the way local programs are designed and their preference for how they are going to allocate their money.

For the purpose of this study, as you know most money under this program has to go to training and virtually everything is classified as training but we used our own classification to give you a better idea of what's really going on. Three types of training were asked about: remedial, classroom skilled training, and on-the-job training. We found that remedial training was offered about a third of the time or in a third of the projects but, in fact, only 6 percent of the participants received any kind of remedial training; that is, language training, mathematics, writing, that kind of thing. In California, the figure was somewhat higher at 13 percent; we think that's because here a lot of the projects offer English as a second language as part of their overall intervention.

As regards to classroom training, there were two kinds that dominated: clerical or office skills, and semiskilled equipment or machine operators. This kind of training was offered for an average of 12 weeks and the cost was about $2,200 per person. I jotted down the numbers that the previous witness mentioned. He said 3 million in Los Angeles County; that would give you about 1,500 people that you could train with the general cost of classroom training here and he also mentioned Bell—Bell City, I think it was—where the amount of money there with the cost of training would really only amount to a few hundred people. While about three-fourths of the projects offered some kind of classroom training, in the final analysis only about one-fourth of people received any kind of classroom training.

On-the-job training, which is I think probably the training of preference for local administrators, utilized the same kind of skills training that we found in classroom training; that is, clerical office work, semiskilled machine operation. That on-the-job training averaged about 16 weeks and the cost to the title III program, because there's also a cost to the employer of this, was about $1,600 per individual. The length of this training at 16 weeks is not too dissimilar to what we were seeing under CETA for on-the-job training, although, under CETA, on-the-job training was less prevalent than it is under this program. Now, about 70 percent of the projects offered OJT to some of their participants. In the aggregate, though, only 16 percent of participants actually were enrolled in on-the-job training. Now, I think there's—as I said, I think there's probably a preference for on-the-job training at the local level but there are some questions as to whether on-the-job training really provides training or whether it's a wage substitutive to the employer and I—we're not able to answer that with the study that we're doing

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here because it's really getting together a good data base at the national level, but I think it's a question that needs to be answered by the Department of Labor when they look at these programs in greater depth and that's: Is there really a strong training component in the on-the-job training?

Another point that I think is important relative to on-the-job training is that it's difficult to develop the jobs for these slots. It's probably a very effective way, assuming that there's training going on in OJT and that it raises the skill level of people; it's probably very effective because, as the first witness said, it gives you a direct link to the employ and I think that's—you could probably consider that to be a positive aspect of the program. But, in discussions with people at labor, one of the things that seemed to come out was that it's a highly developed skill for an individual at one of these projects to go out and find OJT slots and develop those jobs. It's probably someplace where the Department of Labor could provide technical assistance, training, training packages at the local level to do a better job of job development, as they call it.

Now, while less than half of all participants in this program received any kind of training, nearly all received some job counseling or job search assistance; 83 percent received counseling and 65 percent received job search assistance The counseling generally consisted of identifying job interests and employability potential. Job search went on and included training and interviewing techniques, resume writing, how to use the help wanted listings, and other things that they felt would help people find a job.

Finally, the type of service provided least often, as I mentioned, was support services; 67 percent of all services—of all projects offered some support services to some of their participants. Only about 22 percent of all enrollees received any kind of support services. In California, that number was a bit higher at 30 percent who were receiving some kind of support services.

Now, I'd like to mention here a study that is about to be printed from GAO on title II. The relevance of that is that support services, as you know, were limited under the act to 15 percent of the funds. But, in our title IIa study, which was testified on some preliminary results before your committee, we found that 7 percent of the funds overall were spent on support services, which is far below the 15 percent limitation. Furthermore, waivers were available to that 15 percent and few people asked for that; only about 30 projects, I think, out of the 500 that we surveyed. This, again, is title IIa. Of those who got waivers to the 15 percent restriction, those projects really only spent 12 percent of their money. So, they stayed well below the limitation on average. It doesn't mean that some didn't go over. But, on average, they still stayed below the limitation. Our conclusion, in that study, is that the limitation on support services under this program is local preference and that there's nothing in the act that's really discouraging localities from providing support to those who need it.

In looking at program results, there are three interesting results I'd like to share with you. First, the average wage level under this program for all projects was $6.50 per hour. For at least half of the projects, the people who responded to our questionnaire said that this wage was lower than the prior wages of dislocated workers,

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generally. I guess you could conclude that the other 50 percent of the projects thought that the wage was higher, at least the wage that those projects got.

The second point is that most people changed occupations or they changed industry or they changed both. Sixty percent of the participants in this program moved from one industry to another; that might be from steel to another manufacturing industry but, nonetheless, they changed industry. Seventy-five percent switched their occupations and about half switched both industry and occupation.

Now, I can't tell you what the implication of that is but there is certainly some relationship there to the amount of training and need for training when you have that much substantial shift in the kind of occupations and industries that people are working in.

The new jobs that people found most often, and I suppose not surprisingly, coincide with the kind of training that's being provided through OJT and classroom; that is, machine and equipment operators, skilled craftsmen, and clerical and office workers. One interesting statistic, and I don't know what the meaning of it is, is that very few people are being placed in the service industries under this program even though that's the sector of the economy that's growing most rapidly. But, it's just an interesting question. I don't know what you can say about the reason for that, unless perhaps the fact that people are coming out of certain kinds of jobs, predominantly manufacturing, and there's a natural tendency for them to want to go back into those kind of jobs.

The third point under program results is that projects reported an average placement rate of nearly 70 percent. Now, we think this statistic is probably better than any you can get from the Department of Labor because this is based on 500 projects and it's a total enumeration, whereas Labor's data's based on a very thin sample of title III projects.

The rates, however, vary greatly among projects, from a few percent for projects that are just starting to nearly a hundred percent for projects which we suspect know how to calculate their statistics very carefully. They also vary in terms of the type of training provided and I think there's some interesting questions raised by these statistics. First of all, OJT had the highest placement rate among completed projects. When you get into looking at projects that are ongoing, placement rates may not be very accurate representations of success for the project. But, for 115 projects that have closed out, the placement rate for OJT was 80 percent. When you compare that to classroom training, you only had a placement rate of 50 percent.

Now, our first instance was to say, "Well, it shows what a lot of people believe, that OJT is really more successful," but I'm not sure that you can say that, because we don't know what the characteristics of the participants were who went into OJT versus classroom training; we don't know what the quality of OJT was versus classroom training; and, of course, once you place somebody in OJT, there's a presumption that they're going to stay in that job. So, I don't think you can conclude that they're doing a better job with OJT than they are with classroom; you can only conclude that it does have a higher placement rate.

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Now, one of the things that we are going to try to look at in our further work on this subject is the real effectiveness of these different kinds of training programs and I think it's something that labor really needs to focus on.

Finally, I'd like to go into some statistics on the impact of the proposed 55-percent cut which your staff asked us to do some calculations on. The administration has proposed this 55-percent cut based on the fact that expenditure rates out of Washington are rather slow under the title III program. They say that since those expenditure rates are slow, you're not going to have any impact on services at the State and local level. Unused carryover funds were about $186 million at the end of 1985 and they assumed that the rate of expenditure during 1985, program year 1985, would be about the same and would go into year 1986 with the same $186 million. Now, that's an assumption. The National Governors' Association statistics that I think they made available to your subcommittee said that the expenditure rates under the program and the obligations have been increasing as the capacity and the program builds and that, in fact, they are spending more or spending at a higher rate than their 1984 allocation, allocation in 1984, and when you get to the end of 1985, most of that carryover might be gone. But, even if you buy the assumption that the carryover is going to go into 1986, we did calculations State by State to see what the impact would be there because the administration's logic ignores the fact that States have spent at a different rate.

When you do it State by State, you add the carryover of funds assumed by labor to the allocation for 1986. You find that 23 States are not going to have as much money in 1986 as their allocation was for 1985. Now, I guess the one thing you could say about this whole debate is that there's a great deal of uncertainty and the decision to make a 55-percent cut cannot be sustained on the basis of numerical calculations. You have to assume that the Department of Labor can make some adjustments either through its formula or through its discretionary funds which can even out the lumps in the individual State funding and you also have to assume that there's going to be a big carryover going into 1986 and you can't make that assumption without a lot better data and it's probably not right. The one thing that you might look at there, in addition, is that even if adjustments were made at the State and the Federal level to try and mitigate the impact in 1986, it certainly would have to have an impact in 1987 because it's got this forward funding. There's a time lag and once you get into 1987, I think you're certainly going to affect some programatic and service delivery at the local level. That's my prepared remarks. We'd be happy to answer any other questions you might have.

Mr. MARTINEZ. Thank you, Mr. Gainer. I have a couple. One, on that last point you made, I was going to ask you what was your view of the disparity between the assumptions of the administration and what is actually happening out there and we had a discussion on that in Washington at a hearing with someone from the Department of Labor, Bob Jones, and he was very adamant in his assumption that they were right, even though he was questioned extensively about the fact that many of the funds that they've assumed were going to be carried over were actually obligated funds.

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They were funds that were already committed. They were actually, you might determine, expended funds because if you've made that commitment and they comply with their requirement of placing that person, then they expect to get paid. Now, they, like you say, just mentioned, they get paid after the fact, and——

Mr. GAINER. I think probably, from the way labor views it, if States, localities and the Federal Government were to modify their behavior and slow down the expenditure rate to a rate closer to their earlier spending, they could--it could come out so that 1985 and 1986 had about the same service level, but that assumes that those kind of adjustments are going to be made and that States are not going to rush to obligate their funds in 1985 and there has been some evidence that—in the States where they recaptured funds to the State level, that the localities are now trying very hard to obligate their money so that it doesn't happen to them again and that may result in a much higher expenditure, or at least an obligation rate in 1984.

Mr. MARTINEZ. Well, wouldn't there be some impact, too, because of let's say plant closings in a particular area, where it created an even greater need and a greater surge forward for the services?

Mr. GAINER. That's right, although there's a—I think there's a whole kind of an interesting point that you're getting into when you talk about that. This program tends to respond slowly to an individual event unless there's an ongoing capacity in the community through title III to deal with a particular plant closing. The administration has a discretionary fund that they can target at a particular plant closing or a particular industry, but the States have to come in and ask for that money, first of all; that causes some timelag. They don't always do it. Then, the administration has to look at those proposals and respond and, finally, you have to get a startup at the local level to get services to those workers. In Arizona, they've taken the approach that they're going to have capacity in place so that they can respond quickly to those events, which sounds very logical but a State like Arizona is going to be hit particularly hard by a cutback in funding.

Mr. MARTINEZ. Well, there is a 30-day requirement for a delay, a 30-day delayed requirement, unless it's discretionary money.

Mr. GAINER. Another thing that hurt the discretionary fund last year and being responsive to individual events, such as the copper and steel problem, was that they asked for a 2-for-1-match for funds. So, the States had to come up with more money for uses for which the administration wanted to target that money than they did in other instances.

Mr. MARTINEZ. One last thing on that is that I guess you're aware that at that hearing under questioning Mr. Jones admitted that 90 percent of those funds were obligated, 90 percent. So, you know, he's saying on one hand that by their own calculations they've made a bad assumption and, on the other hand, he's still maintaining the assumption's right.

Mr. GAINER. He's saying they've obligated it to the States and the States can be prudent and not——

Mr. MARTINEZ. No. I think the question——

Mr. GAINER. Oh, you're talking about discretionary funds; I'm sorry.

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Mr. MARTINEZ. Yeah. He said that 90 percent of the—on-the-job training, because I'm quite interested in that, and I'll tell you why, I don't know if it's happening out here but, on the east coast, and especially around Virginia, there's an ad that is appearing quite frequently that must be being paid for by the National Alliance of Business, and it shows a man in an employment office hiring and he's being interviewed for the job placement; he's looking for the participant. And he says, you know, he tells the person working there, "I could use two more but I just can't afford them" and the person says to him, "Well, under JTPA, the Federal Government will pay up to 50 percent of the job training of an individual" and he says, "How do I find out about it?" He says, "Call your local industry council, private industry council." The ad gives you the impression that this is a big portion of the JTPA and it's not; it's only about 20 percent. That's the only ad I've ever seen on JTPA and it looks like they are trying to encourage that kind of training. Your statistic on 80 percent successfull training means that those people are employed and they stay employed——

Mr. GAINER. They find jobs, yes.

Mr. MARTINEZ. Would you assume that, just from that aspect of it, that that might be an area to expand in?

Mr. GAINER. Well, I guess two things. I think OJT is potentially very effective because it does put a link directly into a job. I think any time you do something like that, where you're providing a wage subsidy to the employer, though you have to be cautious that that's not all you're doing. So, I think in particular, the Department ought to be looking at whether or not you've got a labor subsidy working here or whether you're really——

Mr. MARTINEZ. Training.

Mr. GAINER [continuing]. Improving the employability of the people that are going into that OJT, and we don't know the answer to that.

Mr. MARTINEZ. That's a good point. I think that's something we ought to look into. There was one other thing I had before I turn to Mr. Hayes. You indicated that the assumption we talked about earlier with Mr. Cole about the over 55 workers not being served, and when you were referring to this, I got an image and it's a bad one and I hate to think that there's any validity to it, but could it be that these people are practicing a bias toward younger people feeling that they are more in need, or a bias that they're easier to train because they're younger and more flexible? Have you made any assumptions at all?

Mr. GAINER. We just don't know but your question gives me a couple of things that I think are worth mentioning. The CPS analysis that was done—we compared statistics back and forth. Now, when you went for workers, I think it was 35 to 45, those between 35 and 45 were represented at the same rate as those in the CPS. When you went 55 and above, though, the representation in this program dropped sharply and, related to that, is the fact that the percentage of people 55 and older who are displaced and still looking for work was also 20 percent in the CPS, but the representation was 8 percent, so you know there's always the contention that these people are no longer looking for work. But, even among the percentage that are still looking for work, they were underrepre-

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sented and I think the kind of jobs that are provided, just the way it's structured, the people come into them rather than any outreach, I think may have an impact that's hard to predict. I don't know whether I'm going to call it bias but there may be some systematic things that are going on which tend to discourage older workers from coming into these programs.

Mr. MARTINEZ. Well, I think it's something that we ought to take a hard look at.

Mr. GAINER. Mr. Gianni also has some thoughts on that.

Mr. GIANNI. Just one thing, Mr. Chairman. Under JTPA, there is a 3 percent set aside for older Americans and, quite possibly, some of these individuals could be receiving services through that program. Unfortunately, there isn't any data being collected at the national level. This money is passed down to the States and the States make the decision on how to use it. And, as a result of that particular program, the results aren't being fed back to the Department of Labor. They just haven't required that type of information. But that is a possibility.

Mr. GAINER. The fact is, as you know, there are several set asides under the law and for none of those is the Department collecting information that would tell whether or not this program is in compliance with the letter and the spirit of the JTPA legislation.

Mr. MARTINEZ. I think that is something that we need and we need to do something about getting. Mr. Hayes?

Mr. HAYES. Thank you, Mr. Chairman. Mr. Gainer, I assume from your statement that you've given us, although I think it substantiates what some of us have concluded already, I don't think you're ready to go this far. What do you say about a person who's reached 55 years of age and not a high school graduate or those who have not graduated with regard to age—they are fast becoming the expendables in this society of ours unless we do something about it.

I was in Portland, ME, I guess a couple of weeks ago. One of the sponsors of H.R. 1398. "The Income and Jobs Action Act of 1985"—I am one of the sponsors of legislation which commits the Federal Government to do something about the problem of high unemployment and particularly long-term unemployment. I ran into just exactly what you've confronted. Portland, ME, you know, is in an area that depended almost entirely on textiles and shoes, with a little bit of lumber. Well, all of that is gone now. A high ratio of women are unemployed in that area who worked in the textile industry. Some of them had worked 25 or 30 years and have reached that age of 55 or older and are currently being retrained. One or two came to me who expected and one had gotten a high school diploma. The other one was being retrained through high school with no idea as to where they were going once they completed their education.

Hence, I think what you've said is true. What can we do about it? Your preliminary data indicates that the older and less educated workers are underrepresented in the title III training enrollment. Why is this occurring and what can be done to correct this disparity? I'm just at a loss as to what can be done about it. Are we just kidding them even when we retrain them if we don't place them? And some of the people who were placed, who came out of

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the textile industry, found jobs in the service industry, and when the ratio of pay was so much less than they were accustomed to getting in the regular industry, this discouraged many of them. So, I don't know if you can elaborate on that a little bit.

Mr. GAINER. As I said earlier, we really don't know why it's occurring. We do know that this group over 55 has been a difficult group to deal with in terms of dislocation right along.

Mr. HAYES. We don't need them, do we, the way we're going?

Mr. GAINER. I don't know. We're expecting to go into a labor shortage in a few years. What I was going to say is that you have a Federal program here that is to intervene for people who are put in a bad situation because of plant closures or dislocations and yet that program is underserving one of the groups that's most difficult to put back into the labor force. And, if anything, I think you could hope that a Federal intervention would work better for those people that are going to have the largest problem in getting placed back into the system. I don't know how you fix it, but I think it's a place where the Congress can express its interest and put a little pressure on both the Department of Labor and the States to find out why is that occurring and what can be done about it.

Mr. HAYES. I noticed in your statistics also you say in 1984, I think was the year, title III participants were primarily white; that is, 70 percent of them, 59 percent male. Of the prime working age, what do you describe as the prime working age; what is that age?

Mr. GAINER. Well, generally——

Mr. HAYES. You said 87 percent of that age; what age?

Mr. GAINER. Generally, it means 25 to 55 but, for our statistics here, I think we had to use 21 because that's what localities could report to us. So, the people you expect to find in the labor market. those were the ones that were displaced under the program by and large and that's what title III serves, by and large, with these certain underrepresentations.

Mr. HAYES. Thank you, Mr. Chairman.

Mr. MARTINEZ. Thank you, Mr. Hayes. I think you're right, that we have to find out why it's happening first and then we have to do something much like we did with the youth, and even that hasn't worked out too well because we set aside 40 percent for the youth and it hasn't worked out that way. We need to do something to adjust that. We have to be very careful, though. You know what they say, "If it's not broke, don't fix it." I don't know if it's that broken or that it needs fixing but at the same time we need to consider the other group problem.

Mr. GAINER. When Mr. Fogel testified for you earlier in the year, he used the phrase something like that, I think, and I wouldn't want to disagree with him since he's my boss, but I think that the employment and training community is grappling with the youth set-aside and trying to come up with mechanisms—the Department is trying to come up with mechanisms to make that work and I think, you know, there is bound to be some responsiveness to any problem which seems to be occurring. You don't have the set-aside to the same extent for older workers, but the program can clearly work for them because it is so flexible, and I didn't mean to indicate that we were suggesting any kind of legislation, but I think it is someplace where there ought to be some particular oversight and

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some questions asked to the Department of Labor to see if they can identify the problem and design some mechanisms within the current legislation. And then, if that doesn't work, the Congress can look into it.

Mr. MARTINEZ. Yeah. Give them a chance to develop some kind of regulation that would take care of it. I agree with you. I want to thank you very much for appearing before us today. You've provided us with some very useful information and we thank you again.

Mr. GAINER. It was our pleasure to be here.

Mr. MARTINEZ. Our next panel consists of Don Balcer, Tim Taormina, and Pat Unangst. Taormina is from the California Job Training Partnership Office. Don Balcer is from region 9, Regional Administrator of Employment and Training Administration. Department of Labor is Pat Unangst, administrator, Lomita/Carson/Torrance, Private Industry Council. Let's start with Mr. Balcer.

[Prepared statement of William Gainer follows:]

PREPARED STATEMENT OF WILLIAM GAINER, ASSOCIATE DIRECTOR, HUMAN RESOURCES DIVISION, GENERAL ACCOUNTING OFFICE

Title III of the Job Training Partnership Act is the primary federally funded program for helping dislocated workers find new employment. For the period October 1982 through June 1985, over $421 million has been appropriated for title III; however, to date, little national information has been developed on what title III is doing to help dislocated workers or what results it is achieving. GAO's analysis of questionnaire responses from 519 projects operating between October 1, 1982, and March 31, 1985, showed that title III participants' characteristics generally matched those of dislocated workers identified in a special supplement to the Current Population Survey. However, individuals 55 years of age or older and seeking work are underrepresented among title III participants.

GAO found that most projects offered a mix of training, job placement assistance and support services, but less than half of the title III participants actually received any training and even fewer received support services. Although GAO could not establish causality, some types of assistance appeared more successful than others in helping dislocated workers find new jobs. For example, about 80 percent of title III participants who received on-the-job training achieved employment as compared to the program's overall placement rate of 69 percent.

The Administration has proposed a 55 percent cutback in funding for program year 1986 because it believes that the level of carryover funds available from prior year appropriations is sufficient to maintain current funding levels. This position, however, does not take into account the fact that states have expended their title III funds at much different rates. GAO found that when the carryover funds for each state are added to the proposed funding level (after the cut) 23 states would have less money available for dislocated workers in 1986 than was allocated to them in 1985.

I am pleased to be here today to assist in your oversight of the Job Training Partnership Act (JTPA). My testimony will provide preliminary results from our study of local projects for dislocated workers.

As you know title III allows states considerable latitude in designing dislocated worker programs and the Department of Labor has implemented the program to allow maximum state flexibility. Thus states have been free to develop programs which they believe best meet the needs of their dislocated workers. The result has been considerable variation in local projects. For example, while projects have frequently served fewer than 100 participants, a few have reached more than 1,000 individuals. Some projects are targeted to workers from a specific business closure or layoff and provide assistance for only a fixed period of time, while others are ongoing projects that offer assistance to all eligible dislocated workers in their geographic area. The type of project operator also varies widely with private industry councils and educational institutions dominating and community-based organizations, state employment services, unions, and employers less common. Services provided range from remedial education to on-the-job skill training and include a wide variety of job search assistance and supportive services such as transportation or child care.

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To date, little national information has been developed on title III project results. Thus as part of our effort to assist the Congress in its othersight of JTPA, we surveyed title III projects operating between October 1982 and March 1985 to learn how title III funds were being used and what results were being achieved.

Through discussions with state JTPA officials, we identified a universe of 715 projects. We asked project officials to respond to a detailed questionnaire concerning their last 9 months of operation. Of these projects, 28 were developing training materials for use in other projects or were using mass media and therefore had no participant information. Another 61 projects were eliminated for other reasons. Of the remaining 626 projects, 90 percent responded to other questionnaire.

We are now in the process of analyzing these questionnaires and will share with you today some preliminary national statistics on the first 519 projects which responded. These results provide what we believe will be useful baseline information and raise some interesting questions regarding who the program serves and the results that are being achieved.

In addition, at your request we (1) analyzed the potential impact of the Administration's proposed budget cutbacks on the level of title III services in individual states and (2) isolated some information on California projects specifically.

We have four general observations. First, the characteristics of participants in title III projects by and large match those of dislocated workers identified in the federal government's Current Population Survey. The major exception is that dislocated workers 55 years of age and older who are still seeking work are underrepresented among title III participants. Second, over 90 percent of all projects offered some form of occupational skill training, but less than two fifths of title III participants actually received such training. Third, about 69 percent of all participants found jobs although placement rates varied among groups receiving different services. Fourth, if a proposed 55 percent cutback in title III funding is approved, it is possible that many states will not have sufficient carryover funds to make up the difference and that the level of services they provide dislocated workers will be reduced.

PARTICIPANT CHARACTERISTICS

According to the Department of Labor, title III projects had enrolled over 170,000 workers as of March 31, 1985. Based on the data from our analysis as well as data from the quick turn around portion of the Job Training Longitudinal Survey (JTLS), participant characteristics generally matched those of dislocated workers identified in the supplement to the January 1984 Current Population Survey (CPS). (See Enclosure I.) Title III participants were primarily white (70 percent) males (59 percent), of prime working age (87 percent), with at least a high school education (77 percent). However, our comparison also showed that two groups—workers 55 years of age or older and those with less than a high school education—were somewhat under represented in title III projects.

The CPS identified 5.1 million workers that had worked at least three years at their job and were dislocated between January 1979 and January 1984. Of these, 1.3 million were not working and were seeking employment in January 1984 at the time of the CPS. About 20 percent of both groups in the CPS were 55 years of age or older. In contrast, only about about 8 percent of the workers served by title III were in this age group. In California, 10 percent of participants were 55 years of age or older.

The CPS analysis also showed that about 25 percent of the dislocated workers had less than a high school education and that 32 percent of those dislocated workers identified as not working but seeking employment at the time of the CPS had less than a high school education. In comparison about 23 percent of program participants had less than a high school education. In California, about 31 percent of title III participants had not finished high school.

We also found that the percentage of minorities being served by title III in California was considerably higher than the program nationally, and that overall title III projects served a higher percentage of minorities than those identified in the CPS. Nationally about 30 percent of title III participants were minorities as compared to about 62 percent in California. Much of this difference appears to be due to the participation of Hispanics in California projects. In California, 35 percent of the participants were Hispanic compared to 6 percent, nationally.

SERVICES TO TITLE III PARTICIPANTS

Most projects offer a mix of training, job placement assistance, and support services. While placement assistance is provided to nearly everyone, training is provided

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to at most half of the participants and support services to less than a quarter of the enrollees. (See Enclosure II.)

Generally, the training offered dislocated workers was of three kinds—remedial training, classroom skill training, and on-the-job training.

Remedial training activities primarily teach dislocated workers basic skills such as reading and mathematics or help non-English speaking workers improve their use of English. Projects operated by community based organizations and educational institutions were more likely to provide remedial training which is generally provided as part of other training efforts. Nationally, remedial training was offered in about a third of the projects although fewer participants (6 percent) received remedial education. In California, we found that about 13 percent of the participants received remedial training. This difference may occur because many California projects offered classes in English as a second language.

The two most frequent types of classroom training offered to dislocated workers were for clerical or office skills or semiskilled equipment or machine operators. (See Enclosure III.) For the most part, title III projects used existing classroom training rather than developing courses for project participants. Classroom training averaged about 12 weeks in length and cost about $2,200 per individual. While nationally, about three-fourths of the projects offered classroom training, a minority (25 percent) of the title III participants received classroom training. In California, we found that a slightly higher percentage—about 13 percent—of title III participants received classroom training.

On-the-job training for dislocated workers, like classroom training, focused on clerical or office skills and semi-skilled equipment or machine operation. The average length of on-the-job training was about 16 weeks and the cost averaged about $1,600 per individual. Nationally, about 70 percent of all the projects offered on-the-job training, while 16 percent of program participants received on-the-job training. In California about 15 percent received on-the-job-training.

In contrast to the relatively small percentage of participants receiving training, most title III participants received job placement asssistance. Nationally, about 83 percent of the title III participants received job counseling and 65 percent received job search assistance. Similarly, in California, 92 percent received job counseling and 55 percent received job search assistance. In most of these projects, job counseling was an ongoing service and was generally provided by project staff. Counseling often consisted of an assessment of job interests and employability potential. In some instances it also included discussions of wage expectations and local job market conditions. Job search assistance included a variety of activities to help workers find and obtain employment including interviewing techniques, resume writing, how to use help wanted listings, and help in completing job applications. In most instances, the assistance was provided by project staff.

In addition to training and job placement assistance, about 67 percent of the projects offered some participants supportive services such as transportation, child care, personal counseling, and health care. Nationally, about 22 percent of the title III participants received supportive services. In California, 30 percent received such services.

A few projects also gave dislocated workers money to help them relocate. About 14 percent of the projects offered help with relocating, but, only 2 percent of the participants received such help. The average relocation cost was about $600 per individual. In most instances, workers were required to have job offers in a new location before such assistance was provided.

PROJECT RESULTS

Most title III participants found jobs in different industries or new occupations, which paid less than their previous jobs. Although overall placement rates were impressive, they varied by type of assistance provided. Overall, 69 percent of title III participants found new jobs and more than a third of all projects had placement rates of 80 percent or more. However, about a fifth of the projects had placement rates of less than 50 percent. (See Enclosure IV.) The average wage level for title III participants who found jobs was estimated at about $6.57 per hour and for over half these projects wages were reported to be less than earnings prior to dislocation.

According to respondents to our questionnaire, about 60 percent of the project participants who found new jobs did not go back to work in the same industry. Further, most of these workers found their jobs in new occupations. Primarily the positions filled by these workers were semi-skilled machine or equipment operators (34 percent), skilled craftsmen (15 percent), clerical or office workers (13 percent), and service workers (12 percent). (See enclosure VI.)

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Title III participants in some project activities appeared to have more success than others in finding new jobs, but because the information obtained for our analysis was average at the project level rather than data on individual participants, we cannot isolate many of the factors that could have affected placement such as prior level of education or the combination of services which participants received. Our analysis of job placement rates was also limited to 115 projects that had completed their operations. Nonetheless, comparing placement rates for various activities in these projects provides a relative sense of which activities are associated with a higher probability of job placement.

For example, those who received on-the-job training had the highest placement rate. Nationally, 80 percent of the title III participants receiving on-the-job training obtained jobs. In California, 75 percent of the participants in on-the-job training found new jobs. This is higher than the overall reported placement rate of 69 percent for title III.

Other types of title III training activities were associated with lower placement rates. Of those participating in classroom training about 52 percent found jobs and of those receiving remedial training, about 58 percent found jobs. Unfortunately, we do not know how many individuals received more than one type of training.

Job search assistance was provided to 65 percent of participants. While these participants did not achieve a placement rate as high as those in on-the-job training, their rate was near the overall placement rate for title III at about 66 percent.

TITLE III FUNDING STATUS

For the past several months, there has been considerable interest in the funding status of title III projects. In February, the Administration asked the Congress to rescind $120 million of program year 1985 title III funds because of the extensive amount of unused carryover funds available from previous appropriations. More recently, the Administration proposed a reduction in the fiscal year 1986 budget of 55 percent. The Administration's rationale is that the current level of services would not be affected by the cutbacks because of the high level of unused carryover funds that are available from prior year appropriations. The appropriation bills in both Houses currently reflect this reduction to $100 million for 1986. However, looking at the Department's state-by-state estimates of unexpended funds shows that for many states the reduced levels of funding proposed for program year 1986 could reduce the levels of services available to dislocated workers.

For the period October 1, 1982 through June 30, 1985, the Congress appropriated over $421 million for title III programs to help dislocated workers. About $320 million of this was distributed to states by formula and the remaining $101 million have been distributed by the Department of Labor to specific dislocated worker projects through the Secretary's discretionary fund. (See Enclosure IX.) According to the Department of Labor, states had expended about $236 million as of June 30, 1985. This left a total of about $186 million in carryover funds—$66 million from the Secretary's discretionary fund and $120 million in formula funds which the states control. (See Enclosure VII.) When these funds are combined with the proposed amount of $100 million in program year 1986, the Department believes the level of funding in program year 1986 could approximate or exceed the level of funding appropriated for program year 1985. This assumes that states would not spend more than their program year 1985 appropriations during program year 1985.

The Department's position, however, does not take into account that states have expended their title III formula funds at different rates. Using the Department's carryover estimates for each state as of June 30, 1985, we found that some states have less carry over funds than others. Our analysis showed that 26 states had expended 70 percent or more of their formula allocations. When the projected carryover funds are added to the reduced levels of funding proposed for program year 1986, 23 states would have about $13.4 million less available to serve dislocated workers in program year 1986 than was allocated in program year 1985. (See Enclosure VIII.)

If the formula for distributing program year 1986 funds to states was altered to take into account the availability of carryover funds in individual states, then it is possible that states could be provided enough money to match the level of funding in program year 1985. To change the formula, however, would probably require a change in the Job Training Partnership Act. The Secretary's discretionary fund could also be used to help alleviate any hardship created by the funding reduction.

Mr. Chairman, this concludes my prepared statement. We would be pleased to respond to any questions.

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[Enclosure I]

DISLOCATED WORKER CHARACTERISTICS

[In percent]

	CPS dislocated workers data		JTLS data July 1984 to March 1985 (74,800)	GAO data	
	January 1979 to January 1984 (5.1 million)	Unemployed as of January 1984 (1.3 million)		National (110,592) [1]	California (4,628) [1]
Age:					
Under age 55	82	80	94	92	90
Age 55 and over	18	20	6	8	10
Educational level:					
Less than high school	25	32	20	23	31
High school graduate or more	75	68	80	77	69
Gender:					
Males	65	69	62	59	52
Females	35	31	38	41	48
Race:					
White	86	79	70	70	38
Minorities	14	21	30	30	62

[1] Participant data for the last 9 months of operation for projects operated between Oct. 1, 1982, and Mar. 31, 1985.

[Enclosure II]

TITLE III SERVICES

[In percent]

	Projects offering services		Participants receiving services		National placement rates [1]
	National	California	National	California	
Training activities:					
Remedial	30	19	6	13	58
Classroom (job skill)	76	71	25	33	52
On-the-job	70	67	16	15	80
Job placement activities:					
Job counseling	85	74	83	92	.....
Job search assistance	84	90	65	55	66
Support services	67	64	22	30	.....
Relocation assistance	14	2	2	0	.....

[1] Placement rates by activity were only calculated for the 115 projects that were completed at the time of our review.

[Enclosure III]

TYPES OF OCCUPATIONAL TRAINING OFFERED TO TITLE III PARTICIPANTS

Training type	Percent of projects offering	
	Classroom training	On-the-job training
Clerical or office worker	46	44
Semiskilled (equipment or machine operator, et cetera)	40	57
Technical (paraprofessional, medical technician, et cetera)	38	29
Skilled craftsman, foreman, or tradesman	36	42
Service worker	25	38
Professional (engineer, accountant, et cetera)	10	14
Manager and administrator	8	20
Sales	12	28
Unskilled (laborer, et cetera)	6	21
Other	5	2

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[Enclosure IV]

OVERALL PLACEMENT RATES AS REPORTED BY PROJECTS

	Number of projects	Percent of projects
Percent of participants finding jobs:		
40 or less	60	14
41 to 50	33	8
51 to 60	40	9
61 to 70	59	14
71 to 80	86	20
81 to 90	77	18
91 to 99	28	7
100	42	10
Subtotal	425	100
Rates not reported	94	
Total projects	519	

[Enclosure V]

Industries in which title III participants worked before being dislocated

Industry	*Percent of participants*
Manufacturing	61
Services	9
Mining	7
Wholesale/retail trade	6
Construction	6
Transportation/communication/utilities	4
Agriculture/forestry/fisheries	3
Finance/insurance/real estate	1
Other/insurance/real estate	3
Total	100

[Enclosure VI]

Occupations in which dislocated workers found jobs after title III participation

Occupation	*Percent of participants*
Semiskilled machine or equipment operator	34
Skilled craftsman, foreman, tradesman	15
Clerical or office worker	13
Service worker	12
Unskilled laborer	8
Technical, paraprofessional	7
Sales worker	5
Manager and administrator	3
Professional (engineer, accountant, et cetera)	2
Other	1
Total	100

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[Enclosure VII]

SUMMARY OF JTPA TITLE III FUNDING AS OF JUNE 30, 1985

[In thousands]

	Formula allocation	Secretary discretionary fund	Total
Allocations:			
Fiscal year 1983	$82,452	$27,499	$109,951
Transition year 1984	70,688	23,562	94,250
Program year 1984	167,250	50,171	217,421
Total	320,389	101,232	421,622
Estimated expenditures:			
Fiscal year 1983	72,202	25,751	97,953
Transition year 1984	67,474	8,447	75,922
Program year 1984	61,146	748	61,985
Total	200,822	34,947	235,769
Estimated carryover funds:			
Fiscal year 1983	10,250	1,748	11,998
Transition year 1984	3,213	15,115	18,328
Program year 1984	106,104	49,422	185,526
Total	119,566	66,286	185,852

Source: DOL monthly program status report reconciliation.

[Enclosure VIII]

COMPARISON OF PROPOSED TITLE II FORMULA ALLOCATIONS FOR PROGRAM YEAR 1986 (INCLUDING CARRYOVER) WITH PROGRAM YEAR 1985

[In thousands]

States	Estimated carryover as of June 30, 1985	Projected PY 1986 funding plus carryover [1]	PY 1985 funding level [2]	States with potentially lower funding level [3]
Alabama	1,831	3,800	4,375	X
Alaska	274	464	423	.....
Arizona	430	1,025	1,323	X
Arkansas	664	1,405	1,647	X
California	15,397	23,497	18,000	.....
Colorado	1,849	2,369	1,155	.....
Connecticut	244	663	931	X
Delaware	245	388	317	.....
District of Columbia	441	747	681	.....
Florida	8,271	10,624	5,229	.....
Georgia	2,760	3,912	2,560	.....
Hawaii	223	392	376	.....
Idaho	286	558	605	X
Illinois	2,753	7,585	10,738	X
Indiana	2,860	5,007	4,772	.....
Iowa	818	1,600	1,738	X
Kansas	586	970	854	.....

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COMPARISON OF PROPOSED TITLE II FORMULA ALLOCATIONS FOR PROGRAM YEAR 1986 (INCLUDING CARRYOVER) WITH PROGRAM YEAR 1985—Continued

[In thousands]

States	Estimated carryover as of June 30, 1985	Projected PY 1986 funding plus carryover [1]	PY 1985 funding level [2]	States with potentially lower funding level [3]
Kentucky	3,338	4,797	3,242	
Louisiana	3,093	4,747	3,675	
Maine	432	722	645	
Maryland	1,323	2,155	1,848	
Massachusetts	3,163	4,278	2,478	
Michigan	8,521	13,547	11,170	
Minnesota	660	1,771	2,469	X
Mississippi	339	1,368	2,287	X
Missouri	695	2,288	3,541	X
Montana	96	342	547	X
Nebraska	69	259	423	X
Nevada	150	466	703	X
New Hampshire	209	309	223	
New Jersey	4,281	6,084	4,006	
New Mexico	564	944	844	
New York	9,939	14,730	10,647	
North Carolina	0	1,567	3,482	X
North Dakota	87	179	205	X
Ohio	8,643	13,699	11,236	
Oklahoma	905	1,819	2,031	X
Oregon	824	1,946	2,493	X
Pennsylvania	10,768	15,779	11,135	
Rhode Island	0	245	545	X
South Carolina	746	1,622	1,946	X
South Dakota	130	202	161	
Tennessee	4,991	6,766	3,945	
Texas	4,929	8,292	7,474	
Utah	0	362	804	X
Vermont	68	172	232	X
Virginia	2,011	2,738	1,616	
Washington	2,194	4,003	4,020	
West Virginia	1,216	2,462	2,770	X
Wisconsin	1,086	2,833	3,883	X
Wyoming	162	276	254	
Total States plus District of Columbia	115,564	188,775	162,704	23
U.S. territories	4,005	6,054	4,554	
Total	119,569	194,829	167,258	

[1] This column represents the proposed PY 1986 formula allocations plus the Department of Labor estimate of carryover funds from prior year allocations.

[2] This column shows the current formula allocation for title III.

[3] This column shows the states for which the proposed PY 1986 formula allocation plus DOL estimates of carryover funds from prior year allocations would be less than the money allocated in program year 1985.

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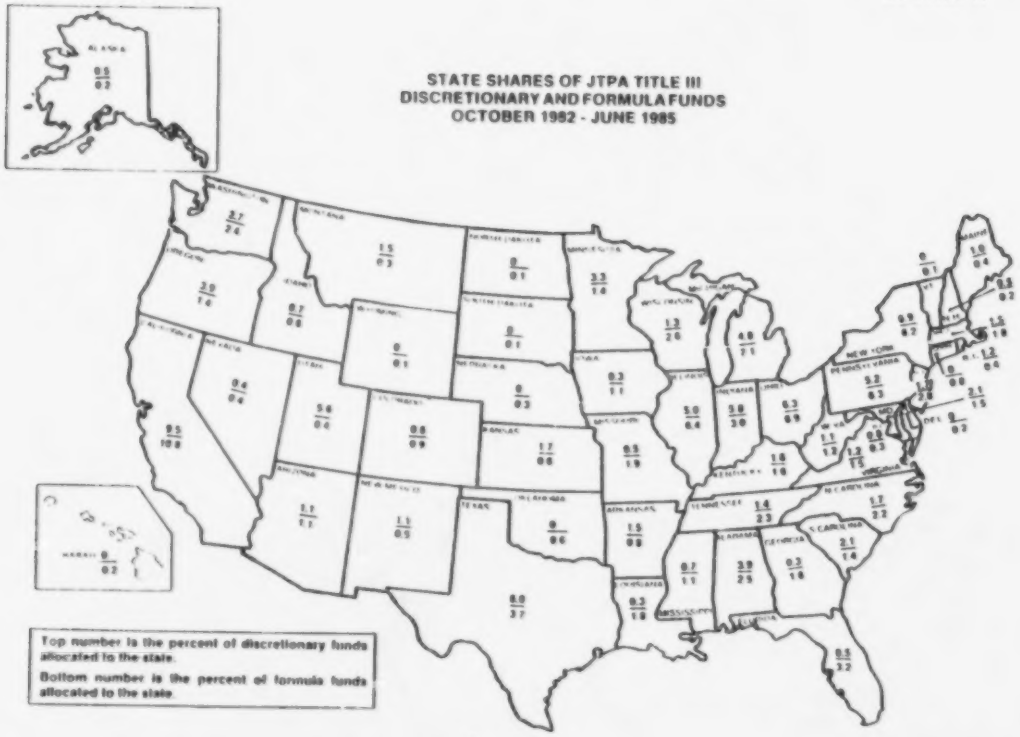
STATE SHARES OF JTPA TITLE III
DISCRETIONARY AND FORMULA FUNDS
OCTOBER 1982 - JUNE 1985
Top number is the percent of discretionary funds allocated to the state.
Bottom number is the percent of formula funds allocated to the state.

STATEMENT OF DON BALCER, REGIONAL ADMINISTRATOR, REGION 9, EMPLOYMENT AND TRAINING ADMINISTRATION

Mr. BALCER. Mr. Chairman, Mr. Hayes, thank you very much for allowing me to come to testify. What I hope to do is briefly give you an overview of primarily title III from the regional perspective of region 9. As Mr. Chairman indicated, I am the Regional Administrator for region 9 for the Employment Training Adminstration. I am primarily responsible for the JTPA, unemployment insurance, employment service, and the Work Incentive Program within the region. The region consists of four States—Arizona, California, Hawaii, and Nevada, plus the four territories of American Samoa, the Commonwealth of the Northern Marianas, Guam, and the trust territories of the Pacific.

During this—since the inception of title III in the JTPA Act, I would like to give a little statistics on the amount of resources that have been given to region 9 primarily over the 3½ years of the operation. In total, region—throughout the region, region 9 for the transition 9-month period, the region received $9 million plus for program year 1984, which just concluded. The region received $22.5 million and the program year that is currently under operation right now, that just began, received $20.7 million. Under the Emergency Jobs Act that was passed early in the year of the inception, the region also received an additional $10.4 million. So, if we would total that up for the region since the inception of the program, the region has received approximately $62.6 million of allocated funds to this program. In addition to that, out of the Secretary's discretionary account, the region has received in special projects funded out of this program from the Secretary, approximately $8.1 million and this figure is slightly understated because, as the reporting procedures go and as title III discretionary count goes, these projects are developed at the local level, submitted to the Governor who, in turn, then submits them to a national office, to a contracting officer, where they are or are not funded. In all instances, we are not notified of what projects have been funded. So, in total, the region has received since the inception of JTPA, approximately $70.7 million in title III activities.

The role of the regional office is one of compliance review to see if the States are complying with the intent of the JTPA legislation. As you're well aware, the allocation of resources are based solely on the formula set out in the law, the one-third, so it is mandated that each State receives a given amount of money based on the criteria and the law. Unlike other titles within JTPA, the title III program is at the total discretion of the Governor on how those funds are allocated. And I will primarily limit my remarks to the four States that we have in the region and not worry about how the territories in the Pacific are handling their money.

In Arizona, the resources are suballocated by the Governor to three service centers within the State that in turn service the 9 or 11 SDA's within the State of Arizona.

In California, the—and Hawaii both—a portion of their funds are allocated on a formula basis to the SDA and the Governor retains the other percent for special projects that he deems necessary.

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In the State of Nevada, the funds are subcontracted statewide to the Employment Security Commission in that State. To my knowledge, all the funds for both program year—through program year 1984 and in the process of this program year, 1985, that we're in, all the funds have been obligated by the States. This does present us some difficulty in the reporting procedures of what is an obligation and what is an expenditure.

As the two previous speakers indicated we say that the funds are obligated but the expenditures are very low, which, in turn, would say that there would be funds available for the remainder of the fiscal year, program year. If, as Mr. Jones indicated—if his figures are true and expenditure rates remain the same, it would appear that the number of people served would be basically the same as it is this program year.

The region conducts an annual review, a program review, of all title III activities within the States, a compliance review guide, and we visit a few selected Secretary's discretionary projects that were funded out of the 9-month money. Because the review guide is primarily designed to ascertain if the States have their system in order, are they operational, it is very difficult to come to a conclusion that: Is that State operating individual projects in a manner which is best service to all the individuals involved? We do not have a reporting system at the regional office level that gives us expenditures, enrolling characteristics, or any other type of statistical data to be able to base a judgment on the program operations within the region.

The major findings of our compliance review guide are the following: There seems to be a lack of guidance from the State level to the SDA's. The oversight of the program has been relatively during the startup period and this is not, in our opinion, surprising to us in the implementation of a new program with new and vast responsibilities to the Governor. The Governors had a mechanism to set up; they had a program to operate; they had all of title II to begin and operate; they had the youth program and the summer programs to operate. So, we are not surprised that these deficiencies were found on the initial reviews. Another problem that we discovered during the first analysis of the operation was that the States had not developed a policy on matching funds for title III. We believe now that this has been resolved and there is a good policy in all of our States that the SDA's all know how to match the funds.

The other operational problem was what is an eligibility criterion for the individuals enrolling in the program which was not established by the Governor. Because of this, we feel that in some instances title III is not serving persons who were displaced because of plant closings but may be used to meet the needs of other persons who were unemployed and did not have a strong attachment to the labor force.

We also believe that some of the training money has been used for normal turnover and those people with minimal attachment to the labor force. We feel also that this oversight will resurface when the States start to monitor their programs, they have their mechanism in place, and they can see deficiencies that are in now that the program is operational and the State does have a structure

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now that they will be able to review and I do believe that there will be significant improvements during the current program year and even stronger and better participation and results as a result of this State oversight.

The Governors have had a significantly expanded role as it relates to JTPA and title III. The rules of the game have completely changed from the way they were operating before. But, most of the problems that we have uncovered within California and the rest of the States in the region can be implemented within the context of the law. I truly believe that, as you mentioned earlier, "It ain't broken bad enough to fix yet," that the regulations can be modified to meet the needs, the administrative policies coming out of the Department of Labor could help and should help, and I believe that with the current posture and the current working relationships we have with the Governors in our State, that the program will be successful and I think, in the long run, that it will show that there has been a significant improvement to a lot of the people we're trying to serve and hopefully this result will start to show up during the program year of 1985. Thank you.

Mr. MARTINEZ. Thank you very much, Mr. Balcer. We'll hear from all the panel first and then we'll ask the questions. Mr. Taormina?

STATEMENT OF TIM TAORMINA, CHIEF, CALIFORNIA JOB TRAINING PARTNERSHIP OFFICE

Mr. TAORMINA. Mr. Chairman, I am Tim Taormina, chief of the job training partnership office of the employment development department, the entity designated by the Governor of California to administer the Job Training Partnership Act within California. I welcome this opportunity to submit information regarding the status of our title III program. My remarks this morning will cover three areas: program accomplishments, the funding mechanism by which service delivery areas and others access the title III dollars they need, and, finally, general observations concerning trends and changes we see in the areas of long-term unemployment and dislocated workers.

First, program accomplishments. From October 1983 through June 1985, California's title III program has served a total of 8,894 individuals and placed 4,457 in jobs. Of the participants served, 6,190 completed training; the remaining 2,704 are still in the program. We estimate that about half of the total participants were long-term unemployed and half were workers laid off or affected by plant closures in a variety of industries. In the latter category are automobile workers from General Motors and Ford, manufacturing workers from Levi Strauss, agricultural workers from Sun Harvest Foods, and many others from employers such as Caterpillar Tractor, Van Camps, Del Monte Foods, Blue Shield, Jhirmack, and Champion International.

My second area of discussion is the funding mechanism for title III. From the outset of the Job Training Partnership Act in October 1983 through June 30 1985, California received a total of $31.4 million in title III funds. This total was comprised of title III allocations received for the 2 program years completed to date, $25.8 mil-

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lion, and national reserve funds provided by the Secretary of Labor for special dislocated worker projects that could not be funded through the normal process. This amounted to $5.6 million. Since the act allows for State discretion in determining the substate distribution of title III funding, California reviewed a number of options before reaching a decision. Options included formula allocation of the entire amount directly to the 50 service delivery areas, retention of all or a portion of the entire amount at the State level, and use of an application process to insure funding focus on those areas most critically in need, and a combination of the foregoing methods. Without an experience factor on which to build, we allocated the entire amount to the service delivery areas for the 9-month transition period. For 1984–85, however, we switched to a combination methodology with 80 percent of the funds distributed by formula allocation and 20 percent set aside at the State level for responses to unforeseen plant closures. Unfortunately, the number of plant closures led to exhaustion of the 20 percent set aside before the end of the year and we used 5 percent funds to assist in this area.

For program year 1985–86, the State council recommended and the Governor approved a methodology which divided the State's $18 million title III allocation into halves, with one half formula allocated to the 50 service delivery areas based on relative population and unemployment statistics, and the second half retained at the space State level to be accessed by the service delivery areas as they run out of formula-allocated title III resources.

I might add that California has a State-funded program, the Employment Training Panel, which also addresses the problem of dislocated workers. One of the criteria for an SDA's receipt of title III's set aside funds is provision of evidence that the proposed title III project will complement and supplement rather than duplicate the State-funded program.

We believe that the methodology we have adopted allows every service delivery area to have a title III program that not only provides acceptable base level services to the long-term unemployed and dislocated worker populations of the service delivery areas, but at the same time provides for expanding that base with additional resources to accommodate critical needs as they arise.

A review of the State's position at the beginning of the current program year lends credence to the validity and reasonableness of this methodology. In June 1985 when contracts between the State and service delivery areas were modified to include the current year's fundings, all service delivery areas operating title III programs carried forward funds into the new program year. The vast majority of the carry forward funds represented obligations for training contracts already negotiated. The written materials which I provided to the committee provide additional details regarding our overall title III fund allocations, space expenditures, and contract obligations. I might point out in the attachment you will note of significance that of the 100-percent allocated moneys for the period October 1, 1983 through June 30, 1985, 45.2 percent of that money has been expended but, at the same time, there's an 83.8-percent obligated percentage, and that we think is significant.

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In arriving at a decision regarding the title III distribution methodology, the State also took full cognizance of the existence of the 55.25 million national reserve for direct funding of title III projects for program year 1985–86. Unlike the moneys allocated by the State, these funds can be accessed not only by SDA's but also by other entities which demonstrate a justifiable need and a soundly developed plan to address that need. Significantly, these funds do not require a match.

My final discussion area concerns trends in the future. We in California take pride in the fact that our State has been in the forefront of services and programs for dislocated workers. Prior to the enactment of the Job Training Partnership Act, California had a system for responding to mass layoffs and closures, called a California Model. Prior to the Job Training Partnership Act, California also had an economic adjustment team in place made up of the directors of the employment development department, the department of commerce, and representatives from the chancellor's office of community colleges and other state officials. This model worked but times have changed. In the past, most plant closures involved traditional manufacturing industries, such as automobiles and textiles or there were agricultural businesses who, in order to meet competition, had to cut back costs and modernize equipment. The workers in these industries were people who, for years before, had been expecting layoff notices. The oil crisis of 1974 was a warning signal clearly heard by most American auto workers. But, today, at least for the past 12 months or so, we are seeing a new breed of worker in the ranks of the dislocated. They come from the service and high-tech industries. Paradoxically, these are the areas that most economists point to as the growth industries of the future.

At the same time, we also must face up to the fact that these industries are fiercely competitive and subject to unexpected severe downturns. Further, most of us have been sobered by the magnitude of projected layoffs by the phone company following deregulation and by one major bank as a result of computerization and the advent of automated tellers.

All of these changes require different treatment from past methodologies. Sufficient money has to be made available at the local level for rapid response to local economic downturns, title III, we believe, serves this purpose. We are well aware that the future will require us all to be more creative and more determined to solve the problems of those individuals who, through no fault of their own, have had their economic livelihood pulled out from under them. Regardless of the level of appropriation for title III programs in the future, California's title III program will be a fundamental element in the State's plan and actions to insure viable solutions. Thank you, Mr. Chairman.

Mr. MARTINEZ. Thank you, Mr. Taormina. Next we will hear from Pat Unangst.

[Prepared statement of Tim Taormina follows:]

PREPARED STATEMENT OF TIM TAORMINA, CHIEF, JOB TRAINING PARTNERSHIP OFFICE

Mr. Chairman, Members of the Committee, I am Tim Taormina, Chief of the Job Training Partnership Office of the Employment Development Department, the entity designated by the Governor to administer the Job Training Partnership Act

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within California. We welcome this opportunity to submit information regarding the status of our Title III Program.

My remarks will focus on three areas: Program accomplishments; the funding mechanism by which Service Delivery Areas and others access the Title III dollars they need; and, finally, general observations concerning trends and changes we see in the areas of long-term unemployed and dislocated workers.

First, program accomplishments: From October, 1983 through June 1985, California's Title III Program has served a total of 8,894 individuals and placed 4,457 of them in jobs. Of the participants' served, 6,190 completed training; the remaining 2,704 are still in the program. We estimate that about half of the total participants were long term unemployed and half were workers laid off or affected by plant closures in a variety of industries. In the latter category are automobile workers from General Motors and Ford, manufacturing workers from Levi-Strauss, agricultural workers from Sun Harvest Foods; and many others from employers such as Caterpillar Tractor, Van Camps, Del Monte Foods, Blue Shield, Jhirmack, and Champion International.

Since we are meeting in the Los Angeles area, it seems appropriate to speak for a moment about a project operating in this area that clearly illustrates how our Title III program brings together, in true partnership, both the public and private sectors at both the local and state levels.

In the Spring of 1984, the area of Los Angeles County anchored by the Long Beach Harbor—the City of Long Beach, the cities of Carson, Torrance and Lomita, and the southern most portion of Los Angeles City—was in the grip of a severe economic downturn. Major companies like Starkist Tuna, McDonnell Douglas, Armco Steel and others had laid-off approximately 2,000 workers. Seizing the initiative, the Service Delivery Areas for the City of Long Beach, the City of Los Angeles, and the Carson-Lomita-Torrance Consortium banned together as co-sponsors of a project that created two Displaced Worker Centers—one in Long Beach, the other at Los Angeles Harbor College. Assistance and cooperation were provided by the Los Angeles Business Labor Council, the State Employment Development Department, the Community College District of Los Angeles and numerous private sector employers seeking retrained, dependable employees. To date, this project has served 921 laid-off workers, placing 317 into private sector jobs at a cost to the tax payers of $4,000 per job.

This, to us, seems to be what the program is all about, bringing the combined resources of the public and private sectors, local and state government to bear on a critical problem in a single, coordinated and cost-effective way. I do not believe that this project would have come about without the special emphasis on dislocated workers available through the Title III Program.

My second area of discussion is the funding mechanism for Title III. From the outset of the Job Training Partnership Act in October, 1983, through June 30, 1985, California received a total of $31.4 million in Title III funds. This total was comprised of Title III allocations received for the two program years completed to date ($25.8 million); and national reserve funds provided by the Secretary of Labor for special dislocated worker projects that could not be funded through the normal process ($5.6 million). Since the Act allows for State discretion in determining the substate distribution of Title III funding, California reviewed a number of options before reaching a decision. Options included formula allocation of the entire amount directly to the 50 Service Delivery Areas; retention of all, or a portion, of the entire amount at the state level and use of an application process to ensure funding focus on those areas most critically in need; and a combination of the foregoing methods. Without an experience factor on which to build, we allocated the entire amount to the Service Delivery Areas for the nine-month Transition Period. For 1984/85, however, we switched to a combination methodology with 80 percent of the funds distributed by formula allocation and 20 percent set aside at the State-level for responses to unforseen plant closures. Unfortunately, the number of plant closures led to exhaustion of the 20 percent set aside before the end of the year and we used five percent funds to assist in this area. For Program Year 1985–86, the State Council recommended and the Governor approved a methodology which divided the State's 18 million dollar Title III allocation into halves, which one-half formula-allocated to the 50 Service Delivery Areas, based on relative population and unemployment statistics; and the second half retained at the state level to be accessed by the Service Delivery Areas as they run out of formula-allocated Title III resources.

I might add that California has a state-funded program (the Employment Training Panel) which also addresses the problem of dislocated workers. One of the criteria for a Service Delivery Area's receipt of Title III set aside funds is provision of evidence that the proposed Title III project will complement and supplement, rather

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than duplicate the state-funded program. We believe that the methodology we have adopted allows every Service Delivery Area to have a Title III program that not only provides acceptable base-level services to the long-term unemployed and dislocated worker populations of the Service Delivery Area, but at the same time, provides for expanding that base with additional resources to accommodate critical needs as they arise.

A review of the State's position at the beginning of the current Program Year lends credence to the validity and reasonableness of this methodology. In June, 1985, when contracts between the State and the Service Delivery Areas were modified to include the current year's funding, all Service Delivery Areas operating Title III programs carried forward funds into the new program year. The vast majority of the carry/forward funds represented obligations for training contracts already negotiated. This indicates that services are being provided to eligible dislocated workers at an adequate level. Significantly ten Service Delivery Areas requested and received additional funding from the State's Title III set-aside, during the previous year. The carry-forward in the State's set-aside was zero. The written materials which I have provided to the Committee provide additional details regarding our overall Title III fund allocations, expenditures and contract obligations.

In arriving at a decision regarding the Title III distribution methodology, the State also took full cognizance of the existence of the $55.25 million national reserve for direct funding of Title III projects for Program Year 1985–86. Unlike the monies allocated by the State, these funds can be accessed not only by Service Delivery Areas, but also by other entities which demonstrate a justifiable need and a soundly developed plan to address that need. Significantly, these funds do not require a match.

My final disucssion area concerns trends and the future. We, in California, take pride in the fact that our state has been in the forefront of services and programs for dislocated workers. (In fact, there are many who say we wrote the book). Prior to the enactment of the Job Training Partnership Act, California had a system for responding to mass lay-offs and closures, called the California Model. Prior to the Job Training Partnership Act, California also had an economic adjustment team in place made up of the Directors of the Employment Development Department, Department of Commerce, and representatives from the Chancellors Office of Community Colleges and other state officials. The objective of this team was to provide for coordination at the top in order to ensure cooperation at the local level: schools and employment offices, working together with employers, unions and local economic development experts.

The Model worked, but times have changed. In the past, most plant closures involved traditional manufacturing industries such as automobiles and textiles; or they were agricultural businesses, who in order to meet competition, had to cut-back costs and modernize equipment. The workers in these industries were people who, for years before, had been expecting layoff notices. The oil crisis of 1974 was a warning signal clearly heard by most American auto workers.

But today, at least for the past 12 months or so, we are seeing a new breed of worker in the ranks of the dislocated. They come from the service and high tech industries. Paradoxically, these are the areas that most economists point to as the growth industries of the future. At the same time we also must face up to the fact that these industries are fiercely competitive and subject to unexpected, severe downturns. Further, most of us have been sobered by the magnitude of projected lay-offs by the phone companies, following deregulation, and by one major bank, as a result of computerization and the advent of automatic tellers. All of these changes require a different treatment from past methodologies. Sufficient money has to be made available at the local level for rapid response to local economic downturns. Title III, we believe, serves this purpose.

We are well aware that the future will require us all to be even more creative and more determined to solve the problems of those individuals, who through no fault of their own, have had their economic livelihood pulled out from under them. Regardless of the level of appropriation for Title III programs in the future, California's Title III program will be a fundamental element in the State's plans and actions to ensure viable solutions.

Thank you very much.

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[Attachment]

SDA'S TITLE III FORMULA ALLOCATED—OCTOBER 1, 1983 TO JUNE 30, 1985

	Allocated funds	Expended as of June 30	Unexpended as of June 30	Obligated	Uncommitted funds
Alameda	$1,616,590	$717,264	$899,326	$839,326	$60,000
Butte	125,335	39,872	85,463	49,959	35,504
Carson, Lomita, et cetera	547,336	251,781	295,555	295,555	0
Contra Costa	451,309	360,548	90,761	90,761	0
Foothill	99,824	44,813	55,011	55,011	0
Fresno	700,301	551,580	148,721	0	148,721
Golden Sierra	377,354	33,844	343,510	47,656	295,854
Humboldt	278,715	228,001	50,714	50,714	0
Imperial	272,923	104,839	168,084	55,013	113,0721
Kern	584,506	349,032	235,474	38,376	197,098
Kings	63,762	7,366	56,396	5,186	51,210
Long Beach	689,411	165,624	523,787	513,669	10,118
Los Angeles City	3,110,041	682,250	2,427,791	2,404,955	22,836
Los Angeles County	2,527,125	1,448,198	1,078,927	1,078,927	0
Madera	91,512	83,092	8,420	0	8,420
Marin	72,070	45,909	26,161	14,161	12,000
Mendocino	56,932	42,769	14,163	0	14,163
Merced	141,641	58,147	83,494	43,079	40,415
Monterey	676,726	120,018	556,708	435,755	120,953
Mother Lode	(1)	(1)	(1)	(1)	(1)
Napa	51,964	23,389	28,575	28,575	0
NCRCC	219,208	46,541	172,667	0	172,667
NoRTEC	159,960	41,076	118,884	118,884	0
NOVA	198,872	119,176	79,696	79,696	0
Oakland	492,885	425,668	67,217	67,217	0
Orange	1,006,118	237,356	768,762	284,549	484,213
Richmond	209,583	84,750	124,833	107,833	17,000
Riverside	427,767	102,252	325,515	141,667	183,848
Sacramento	699,281	606,027	93,254	41,224	52,030
San Benito	36,652	0	36,652	5,000	31,652
San Bernardino City	71,757	0	71,757	71,757	0
San Bernardino County	576,392	50,339	526,053	179,321	346,732
San Diego	2,061,505	1,140,151	921,354	793,354	128,000
San Francisco	453,152	322,704	130,448	130,448	0
San Joaquin	402,027	103,959	298,068	32,477	265,591
San Luis Obispo	48,629	1,288	47,341	47,341	0
San Mateo	606,845	21,871	584,974	504,672	179,302
Santa Barbara	330,099	164,556	165,543	75,977	89,566
Santa Clara	1,248,313	996,991	251,322	251,322	0
Santa Cruz	130,393	31,896	98,497	0	98,497
Shasta	116,272	42,693	73,579	7,420	66,159
Solano	141,691	63,451	78,240	15,858	62,382
Sonoma	240,808	189,005	51,803	18,637	33,166
South Bay	176,641	57,694	118,947	25,306	93,641
SELACO	343,495	185,909	157,586	157,586	0
Stanislaus	668,864	158,385	510,479	156,867	353,612
Tulare	202,089	2,584	199,505	2,916	196,589
Ventura	519,992	276,683	243,309	243,309	0
Verdugo	279,442	263,437	16,005	2,600	13,405
Yolo	101,600	70,492	31,108	15,933	15,174
Total	24,705,709	11,165,270	13,540,439	9,526,849	4,013,590
Percent	100	45.2	54.8	83.8	16.2

(1) Allocation returned to State

Note.—Data contained on this document is provided by service delivery areas.

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STATEMENT OF PAT UNANGST, ADMINISTRATOR, CARSON/ LOMITA/ TORRANCE, PRIVATE INDUSTRY COUNCIL

Ms. UNANGST. First, I want to tell you a little bit about our service delivery area because we're kind of unique. The Carson/Molita/ Torrance service delivery area was put together in 1983 for the JTPA programs. Prior to that, the city of Torrance operated as a prime sponsor under CETA for the 10 years of the CETA programs, so we're not new to the job training system and we have a lot of history and experience. In addition to being the administrative entity and the operating entity for the Private Industry Council as well as the SDA, we also operate virtually all of our own programs, so we are, in effect, the largest CVO to our SDA, so I speak from both perspectives. I can speak from the perspective of the administrative entity and what we go through and the perspective of the operating entity and how programs get affectuated in the field.

In addition to my remarks, I've included an outline and an explanation of joint project, the Carson/Lomita/Torrance SDA has with the city of Los Angeles and the city of Long Beach in the Los Angeles harbor area. As you might be aware, in the county of Los Angeles, there are eight service delivery areas and because of the problems caused by the coordination and the linkages that have to be set up in light of the need in the title III area, we got together and formed this consortium to serve people regardless of boundary.

I think in my remarks I've made it clear—a clear case for the title III. I don't think I have to go into a lot of detail. In our particular area, both past and present, the harbor area of Los Angeles, we have a lot of old industries, steel-related, for example, fisheries, that have been closing over the years. Just recently, Armco and Soule Starkist a year ago. Starkist was the first major project we took on but was not what caused the initial need. Mostly, the aerospace and the high technology that Tim mentioned—we were experiencing a lot of layoffs in that area and that's what caused us to go into this joint project.

I'd like to address some of the built-in problems that the title III program has. First of all, there's been, and I'm glad Mr. Balcer mentioned this, there's been no recognition nationally of the Department of Labor and what I hear coming out of Congress on the startup and the time it takes to build system capacity. The program was new in October 1983. It wasn't fully enrolled; staffs weren't sitting around; councils weren't ready to go; and programs weren't out in the field running. With few exceptions, the State of California did have areas going in that direction but, and ETP was one of them, but it was in a transition for what it used to be called, CWETA, California Work Employment Training Act, and it became the Employment Training Panel, but those efforts weren't going nationally and there needs to be a recognition that it takes 6 to 18 months for a system to build up nationally and for the expenditures to start flowing and I heard the GAO remarking that now the expenditures are coming in too heavily and they're afraid that we are going to run out of money. That's natural; that's what happens in a system for startup and I think if you go back in history of any federally funded job training program, that's the case.

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The other thing that causes problems in title III is the systematic problem and that's the various formulas under section 301 that cause the holdback. The holdback is the national level where the Department of Labor retains a significant portion of the funding to distribute on a request basis. As you heard discussed earlier, that request has to first come through the State, then to the national, then back to the State. You're building in a minimum 6- to 8-month time lag. That guarantees lower expenditures, because you're not getting it out into the field.

The other thing, in our experience, we applied for this joint grant in December 1983. We received notification of funding in September 1984. Our startup was November 1984 but we started our layoff stuff in October 1984 with Starkist, so we started before we even had the program in place, before the centers were in place.

In the State of California, which Tim has explained has a two-tiered approach, where you have a formula allocation and a 50-percent holdback now, our SDA is a small SDA. Our formula initially was $30,000; that's 10 slots on a low, low cost basis. We happen to be an SDA that's very cost-effective. We have real low costs. Conservatively, if we have a $30,000 cost, that's 10 slots. Then we received additional money when the Federal budget was finalized for the prior year and we got $61,000; that's 20 slots. So, as you can see, we do not have the capacity and I was interested in Tim's remarks about the State feels that all the SDA's are adequately served. We're not by our formula. We have to go in for additional funds if we're to serve our area.

The State holdback, in addition to—we have to apply for it. It's another rather complex process. There's a two-tiered level of committee structure; first, the operations committee at the State council level then on to the full State council then back to the staff to write the grant and the proposal comes prior to that, so you're building in about a 3- to 4-month minimum. The State council now meets every other month. So, you're further building in a 6 to 8 week, in that time frame. It's been very difficult at the local level and very frustrating dealing with that system to get up and running and to continue to do what needs to be done in the community while the plants continue to close.

I think AT&T was mentioned. We just did with communication workers, and one of the people are here today, a series of pre-layoff orientations all around the Los Angeles area that we were a part of, that Los Angeles city were a part of, and Orange County were a part of, because geographically in Los Angeles people don't always live where they work. They may live 52 miles from where they work and that's very common down here.

The other issue is on—all of this leads to a myth of nonexpenditure of funds. Because at the national level you pick up anything, and GAO mentioned it earlier, there's this big nonexpenditure but there are obligations. Well, we do prudent contract management. We get our contracts out in the field and we obligate our funds. Under a performance base system, you're not expending the funds immediately. You're holding back the funds for placement, for retention, and for other things that show cost effectiveness as well as good program operation. If you do good, prudent management, you're penalized because you're not expending at a high enough

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rate. There's a—just an—not an opinion, but just atmosphere, and I think you mentioned it earlier, of—just a feeling at the national level that things are not necessary for title III because expenditures are low and, therefore, we can keep cutting, and I think the current bills that are before the Congress right now, with $100 million total for title III, are very evident of that.

Another thing is the characteristics of some of the dislocated workers. I think Tim touched on it that they are frequently thought of as high-skilled union-type people, you know; you think of the steel workers back East or something like that, but we frequently find that they are marginally skilled with poor English skills, Starkist being an excellent example where over two-thirds of the people had limited to no English and were illiterate in Spanish, their native language, that there's a significant percentage of minorities affected, probably because of seniority systems in plant closures and layoffs, and that in the Los Angeles area again, they are geographically dispersed, so they may not have the ability to come to a retraining that's located in a certain area.

The funding problems, of course, the impact of the current cutbacks, are going to be great on the system. I already mentioned that the base funding is inadequate for smaller and middle-sized SDA's such as ourselves and I've talked about the issue of expenditures versus obligations and the feeling that when you do something like that and you're prudent in your cost accounting and contract management, that the feeling is "Well, you don't need the money because you're not spending it."

Then, finally, what can Congress do to improve this program? I think, Congressman Martinez, you hit on an excellent point; the only ad you've ever seen is by the National Alliance of Business and it focuses on a more or less giveaway to a private sector employer, 50 percent, with the image being left that that's the system. I think Congress needs to direct the Department of Labor, whoever, to make a concerted effort to make this a good, positive, national image. It can be done, whether through a contract with NAB, whether it's through the President speaking to the Wall Street Journal, however. I gave just some ideas in my written testimony of what I would do. But, marketing is critical to the whole program, to all of JTPA, because credibility is a major issue. When we go out to a company or a union, "We're the Government; we're here to help you" doesn't cut it. There needs to be a belief that we are going to try to insist you help yourself. We're not a welfare system; we're not a make work system. But there needs to be that trust still, and it's going to need a national campaign to say, "These people are OK; they know what they're doing. Trust them." And then we establish that on the local level. Because the only way it really works is the human relationships at the local level, the people that have to provide the service. The unions here today, our staff meetings with those unions, the companies that are represented, etc., are who we're talking about.

I also think that Congress possibly needs to reexamine the formula. I don't know if the holdback at the national level is effective and it certainly leads to slowdowns in the expenditure issue. I wish the State of California would reexamine that plan or at least look at areas that might be targeted because the way the formula funds

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right now, it's very difficult to get through the system and get th ngs out in a timely manner.

I also think, finally, that there's a national problem that we're not recognizing and it's been tossed around for years at the national level. The system of retraining, retooling of American industry is really the issue. It's a policy issue; it's a Department of Commerce issue. It's not just a Department of Labor issue. It's a Federal Treasury issue because—and it's a foreign trade issue. That is what's part of what creates this problem. Yes, there is going to be natural turnover and natural closures of ineffective management or inefficient industries, but overall, American industry is going through a lot of change and we are a consumer-based economy. Our consumer-based economy buys the cheapest goods, uses the cheapest labor, and, in doing that, creates a real detriment to the older system that's in place, particularly the union system which then becomes bypassed in a lot of ways and it's a shame because there's a lot of skill out there, a lot of time, and a lot of ability that gets lost in the shuffle. And I think overall it needs a national policy to address. I saw a writeup recently that the head of the Department of Labor, Brock, was interested in combining trade readjustment with title III. We do that locally; we tap in wherever we can to that and employment training panel in the State of California—but nationally there needs to be a recognition that all these things go together and I think if we start looking at a bigger picture rather than an employment and training program that's housed underneath a traditionally poverty, disadvantaged program that JTPA primarily serves, that perhaps that's—there will be a different awakening at the national level. Thank you for your time.

[Prepared statement of Patricia Unangst follows:]

OUTLINE OF ORAL PRESENTATION OF PATRICIA D. UNANGST, ADMINISTRATOR, CARSON/LOMITA/TORRANCE, PRIVATE INDUSTRY COUNCIL, NOVEMBER 8, 1985

I.—Brief Overview and History of Carson/Lomita/Torrance SDA.
II.—Need for Dislocated Workers Funding.
III.—Built-in Problems: a. No start-up; b. Federal hold-back; and c. State of California State hold-back.
IV.—Leads to Myths About Nonexpenditure.
V.—Characteristics of Dislocated Workers.
VI.—Problem of Credibility With Workers and Employers.
VII.—Funding Problems: a. Impact of Cutbacks; b. Inadequate Base Funding; and c. Expenditures vs. Obligations.
VIII.—What Can Congress Do? A. Provide Positive National Image; b. Re-examine Formula (Sec 301); c. Reward Cooperative and Coordinated Efforts; and d. Recognize the National Problem—Formulate National Policy.

PREPARED STATEMENT OF PATRICIA D. UNANGST, ADMINISTRATOR, CARSON/LOMITA/TORRANCE PRIVATE INDUSTRY COUNCIL

NEED FOR THE PROGRAM

The Title III Dislocated Worker Program is definitely needed. Our society continues to experience changing technologies, foreign competition, facility modernization and the search of corporations for cheaper land and labor. The end result is a dislocated worker.

The South Bay area of Los Angeles County (Roughly the coastal and adjacent cities between the airport and Long Beach) has experienced significant and continuing plant closures and mass layoffs for some time. Industries affected have included: aerospace, defense related (shipbuilding), cannery, chemicals, steel, and telecommunications.

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In the last two weeks alone, our office has conducted pre-layoff orientations for AT & T and Upjohn, as well as a massive outreach to 350 previously laid-off Todd-Pacific Shipyard workers.

The need to provide retraining, basic skills and job search assistance is not isolated in Los Angeles County—it exists throughout the country.

NO START-UP PERIOD RECOGNIZED

In spite of the proven, continued need demonstrated by the plant closures and mass lay-offs, the myth persists at the Federal level that title III must be unnecessary or expendable because large sums of monies remain unspent. The Office of Management and Budget bases these recommendations of figures projected from the 1983-84 nine month start-up. Recent estimates from the National Governor's Association dispute this—projecting between 7 to 17% unspent by June 30, 1986.

What the Administration and Congress have failed to recognize is that Title III didn't exist prior to October 1983. Inherent in any Federally funded program is a 6-18 month start-up, at this point, staffs are hired and trained, programs developed, contracts negotiated, and all cognizant agencies are coordinated. The programs are just now at this juncture. The recommended cuts will certainly "kill it" for most middle to small SDA's.

Title III is very different and requires a different approach. Time is needed to develop the system's capability.

BUILT-IN FAILURE MECHANISM

The factor which has single-handedly slowed down the rate of expenditure is the funding formula distribution. In most cases adequate dollars cannot reach the agencies providing the service until long after the workers are on the streets. This is a problem because outreach is now mandatory and trust must be built at a distance. (Unlike the days of WPA, most workers do not see Federally-funded programs as a positive alternative or road to re-employment.)

To begin with, the Department of Labor holds back a significant percentage of the national funding. Projects funded in this manner must go through the States before getting to the Department—not to mention the local process between the PIC, local elected official and service providers. Major time delays are inevitable.

Secondly, the money that goes to the states for Title III is distributed quite differently. In the Western Region, the following scenarios exist: Arizona runs programs at the State level; Nevada divides the money on a formula basis between its 2 SDA's; California is more creative. In this State, 50% of the money goes out in formula allocation based upon SDA size and labor market data; the remaining 50% is held in reserve for emergencies.

The process then has you identify a need, develop a rather extensive written proposal which includes details on activities and unit costs, and provide extensive data on linkages. This data is then forwarded to the State Council's staff which then analyzes the request and makes its recommendations (often without referring questions back to the SDA). The summary of the proposal and the staff analysis are then fowarded to the Committee one week in advance of their bi-monthly meeting.

(There's more) The Committee then recommends funding or not to the full Council. This group convenes bi-monthly in opposite months (translation: minimum 6 week delay in action from Committee to full Council). However, if the Director of the state Council deems it to be a true "emergency" need, the Executive Committee can be convened to receive and vote on the recommendation.

After these steps have been taken and funding awarded, the process reverts from state Council staff to State JTPO staff to formulate the official "Modification to the subgrant agreement". This process often takes several months before funds acutally appear in your letter of credit.

This process is unwieldy. Most SDA's do not want to play the game! Furthermore, the holdback at State local levels guarantees delayed expenditures.

MYTHS AND FACTS ABOUT THE DISLOCATED WORKER

Not all dislocated workers are highly skilled, union wage personnel. The workers come with a variety of skills and backgrounds, but the statistics in the South Bay area of Los Angeles County reveal the following: frequently low or marginally skilled; nearly half school dropouts; significant percentage of minorities; and geographically dispersed.

The displaced worker is often angry—at the company, the union, the world. Because of their anger, their immediate job search is not often productive. The anger

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is then often followed by depression. Stress and financial counseling are important component services needed by this group.

Many workers see the JTPA system as a welfare system. Unless we can reach them at the company or union hall to establish credibility with a professional presentation before they are laid off, it is difficult and generally next to impossible to interest them in our services.

FUNDING

The future for these programs do not look very positive. Continuous deep cuts in this new programmatic area does not enable the PIC's and service delivery system time to develop with an assured resource base the capacity to deal with this growing national problem.

Problems have been previously discussed with regard to the various hold backs and "hoops" to get these funds which have effectively led many SDA's and PIC's to believe that it is not worth the "hassle". As one director recently stated: "By the time the funds get out into the system, you'll be serving the grandchildren of those laid-off!" An exaggeration for certain, but one reflective of the frustration with the "politicized" flow of funds.

EXPENDITURES VERSUS OBLIGATIONS ISSUE

In addition to the delays in the funds reaching the service provider, there is another systemic problem caused by performance-based contracting. While most PIC's and SDA's wholly embrace the concept because it ensures that dollars are not fully paid until successful achievement of objectives (i.e. placement), slow and nonexpenditures are guaranteed.

Few contractors meet 100% of their placement goal, thereby resulting in unspent funds.

Most SDA's and PIC's have significant percentages of their contract withheld from final payment until placement and a certain retention period has passed. This ensures greater return of taxpayer's resource as well as expenses which lag in the present reporting format.

WHAT CAN CONGRESS DO

1. Provide a Positive National Image for this program with businesses and unions: promote it with a nationwide campaign; make it a part of the Department of Commerce agenda; make the Business Roundtable aware; have the President speak about it in the Wall Street Journal; and help the system establish credibility. (Job training professionals can't do it alone—marketing adds to the unit cost which we are obliged to minimize and diverts funds from direct client services.)

2. Reward Cooperative/Coordinated efforts: programs which erase territorial boundaries to serve the company and the worker; institutionalize those efforts that work and build the system on that foundation; and bonus funds for performance in these areas.

3. Re-examine the hold back formula (Sec. 301) at the national level: service is provided only at the local level; and human relationships amongst agencies involved along with adequate funding are what makes the program work.

4. Truly recognize that the dislocated worker is a national problem larger in scope than foreign competition: Congress cannot have it both ways. The American workforce (on the whole) can no longer be competitive in the international market without a major infusion of Federally supported retraining and retooling efforts; our consumer-based economy will always seek the lowest priced, highest quality goods, inevitably, these are foreign-made; and Title III needs to be considered in the "Big Picture" with Trade Readjustment, commerce activities, tax credits and other economic/growth stimulating efforts. Most of these activities are presently in "danger" of extinction in today's budget cuts.

I thank you for your time and attention.

[Attachment 1]

LOS ANGELES HARBOR AREA/LONG BEACH DISPLACED WORKER PROJECT

The Cities and Private Industry Councils of Carson, Lomita, Torrance Long Beach and Los Angeles in cooperation with the State of California Employment Development Department and local Community College Districts established two Re-Employment Centers in the Fall of 1984.

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The purpose of the centers were to provide a one-stop area to receive a variety of re-employment and retraining services in an homogenous, non-threatening atmosphere.

HISTORICAL PRESPECTIVE

Using monies provided by Title III State formula allocation, Federal and State discretionary funds, the two (2) Re-Employment Centers were opened—one in the Los Angeles harbor area and the other in Long Beach. Prior to the Centers opening, on-site pre-layoff intervention was conducted for twelve hundred (1,200) employees of Starkist, who were displaced when the plant closed in October, 1984. Almost fifty percent (50%) of the Starkist workers were subsequently assessed at the two Centers to determine appropriateness for receipt of program services.

Other companies were anxious to avail themselves of similar pre-layoff services, which include: Orientation to JTPA Title III services available; Initial Unemployment Insurance claims processing; Information about available State Public Social Services; Job Search Workshops and other vocational information. To date, over eighteen hundred (1,800) workers have received on-site re-employment information through this project.

NATIONAL RECOGNITION

The project has received national recognition: selected as a model program by CSR, Inc.; included in the University of Wisconsin study; and written up both locally and in national publications. It is unique because the high level of cooperation and coordination amongst agencies. But, primarily, it gives the company and the worker access to a complex system which otherwise overwhelms the often discouraged participants.

[Attachment 2]

HIGHLIGHTS OF HARBOR/LONG BEACH RE-EMPLOYMENT PROJECT

I. SERVICES OFFERED

A. Support Services to Participants: Career Counseling; Personal Counseling; Basic Skills Assessment and Training; Referrals to Vocational Training Programs; Stress Counseling; English as a Second Language; Job Search Skills Training; Job Clubs (Group approach to job seeking); Direct Placement Assistance; Financial Planning and Counseling; Supportive Services Referrals and Assistance; and Follow-up.

B. Vocational Training for Participants—Retraining in the following occupational areas: Electronic Technician; Electronic Assembly (Aerospace); Automated Office Technology; Electronic Accounting Clerk; Computer Assisted Drafting; Microcomputer Operations; Word/Information Processing; Office Receptionist (Legal/Medical); Hospital/Home Health Care Assistant; Auto Mechanics/Service Advisor; Grounds Maintenance; Plumbing; General Machinist; Sales Associate; Cable Installers; Computer Technician; Security Officer; Food Service; Custodial Services; and Pharmacy Technician.

C. Services to Employers: Referrals of pre-screened and qualified employees; Assistance with and coordination of Pre-Layoff Activities; Identification of Targeted Job Tax Credit (TJTC) eligibles; and On-the-job training reimbursement.

D. Services to Unions: Coordination of Pre-Layoff assistance to union members; and Outreach to union members explaining the re-employment services available.

E. Pre-Layoff Services: Technical assistance to employers relative to staff reduction; Coordination of activities between management and union; and Onsite pre-layoff intervention in conjunction with Employment Development Department and Social Service agencies. The pre-layoff intervention consists of: filing U.I. claims, social service information, job search skills, and dissemination of vocational training information.

II. LINKAGES

A. Unions: Oil, Chemical, and Atomic Workers International Union—Local 1-128; United Industrial Workers, Service, Transportation, Professional and Government of North America—Local 24—UIW; Communication Workers of America—Local 11513; and United Auto Workers Union.

B. State Department of Rehabilitation.

C. Community College Districts of Los Angeles and Long Beach.

D. Employment Training Panel.

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E. California State University.
F. Unified School Districts of Los Angeles and Long Beach.
G. Companies affected by closures and massive layoffs.

III. PROGRAMS ACCOMPLISHMENTS (AS OF SEPTEMBER 30, 1985)

A. Statistics: Certified and assessed—961; Counseling (Vocational and Personal)—879; Enrolled in Classroom Vocational Training—224; Enrolled in On-the-job Training—76; Enrolled in English as Second Language (ESL) classes—255; Enrolled in Basic Skills Upgrade Classes—61; Indirect Job Placements following Vocational or ESL training—94; Job Search Assistance/Job Club Placement 207; and Services—Direct Job Placements—86.

B. Employers that have Hired Participants:

A few of the private sector employers with whom on-the-job training and/or hiring agreements have been completed are: McDonnell Douglas; Marriott Hotels; Robertshaw; Jet America; Pepsi Co.; Northrop; Broadway-Carter Hawley Hale Corporation; Sears; Saga Foods; Hyatt Hotel; Optronics; La Petite Boulangerie, Inc.; and Hi Shear Corporation.

C. Companies assisted by the Re-Employment Centers:

Assistance has been provided to the following companies by the Project: Golden Eagle Refinery; General Mills-Toy Division; Hughes Off Shore Drilling Co.; Magnavox; Armco Steel; McDonnell Douglas; Upjohn Division of Dow Chemical; Excellon Corporation; Soule' Steel; Garrett AiResearch; Starkist Foods, Inc.; Texaco; and AT&T.

Mr. MARTINEZ. Thank you, Pat. You open up a Pandora's box and I hope the two people on the panel with you, Mr. Balcer, and Taormina, have listened to some of what you've said; I certainly have. One of the things, and you mentioned that this is not a welfare program and it's not a make work program, and those have been bywords of this administration to get people off of welfare, not to have Government involved in make work jobs, but to really help the economy. And, basically, at the bottom of it, you touched on one thing that we do not have a national policy——

Ms. UNANGST. Right.

Mr. MARTINEZ [continuing.] On any of this and none of it's coordinated because there are some people up there who think they are separate issues and they are not; they are tied together. And I think, when we realize that, then we will start—I have great confidence in the new Secretary of Labor, Brock.

Ms. UNANGST. Yeah.

Mr. MARTINEZ. I think the man comes in with a——

Ms. UNANGST. Different attitude.

Mr. MARTINEZ [continuing]. Lot of intelligence in the area and I think a lot of good ideas and ways to implement it and I think that some of this testimony, going back to him through the Department of Labor, would be very helpful in helping him help the different managers throughout the country and in the Department of Labor formulate regulations that would help us make the system a whole lot better.

And I agree with you on the holdback and the system for applying for that and the time consumed in that, that it puts those at a local level at a disadvantage. The one thing your testimony touches on that's very important is the myth about the excessive amounts of money that were not expended. Right from the beginning, there are those of us in Washington that have said, you know, you have to start—it's a startup program, much as you've said, and in that startup there are going to be people that are going to be lagging behind, not because they don't need the money or not because they

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won't use them, but because of the problems inherent in startup, and I think you've outlined that very well.

I would really like to hear some comments from you, Mr. Balcer, on some of the testimony that we have heard from Pat in regard to the holdback, in regard to the need to target the funds to particular areas of need in those SDA's that are doing a job but are not that large in nature but could have a potential to be large in nature if the funds were targeted there.

Mr. BALCER. Yes, sir. If I may, since I've been in this business for the last 18 years, I started out with the categorical programs of MDTA and came through CETA, JTPA, the whole thing, and different administrations. And, if I may, from a historical standpoint, to go back 4 or 5 years, under our prior Secretary of Labor and Assistant Secretary of Labor, there was disdain directed toward any discretionary account, primarily because of the abuse that was perceived and, in some instances, real, of the discretionary account and how it was used under CETA. So, Assistant Secretary Agrisoni did not want a discretionary account; he was very much opposed to it. I had the opportunity about 3 months ago, when the new Secretary, Brock, was fortunate enough to be in San Francisco, to sit down and talk to him primarily about JTPA, how it was acting in California, because he's very concerned because of the size, and the set-asides came up as a policy statement from him which was 180 degrees different than his predecessor. He wants very much to fully utilize the 25-percent set-aside allowed by law, primarily because they are—and I think it's because of his background coming from the trade—that he knows that there are national and international implications that come to force on the labor force in the United States that can only be resolved and solved at his level, and this is a discretionary account, and he thinks it's critical that it be done quickly, efficiently, and fast. An example is the steel and copper that he set out. The problem with it, and this is a very parochial look at it, is that any time anything is centralized in Washington, it is bad. I guess I could have said that differently.

Mr. MARTINEZ. No, you said it quite well.

Mr. BALCER. But it's just inconceivable that you have one grant officer that approves all discretionary account programs sitting in the national office where he may even have difficulty pinpointing California, let alone a problem within California. And I did bring this discretely, just about as discretely as I did to you, the need to decentralize the authority-making process to fund these projects at the regional level because I think we are much more responsive and more attuned to the needs of the community; there's better access to us; and we're easier to yell at.

Mr. MARTINEZ. My short acquaintance with Secretary Brock leads me to believe that he'll be responsive to your suggestions. He seems to have a great affinity for having the sense of people that know what they're doing and bringing forth good suggestions. I hope that my perception of him remains true.

Mr. BALCER. The week after next, I'm going back to the capital to—on the swearing in of our new Assistant Secretary, Mr. Semarad, so I think, since all 10 regional administrators will be there, I think the whole concept of decentralization will be broached once again.

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Mr. MARTINEZ. Good luck to you. Mr. Taormina, would you comment a little?

Mr. TAORMINA. I would second everything that Mr. Balcer said. We are between the proverbial rock and the hard spot in this particular issue. We find ourselves is a situation at the State level, because of the way the law is worded, having to take the applications coming from the SDA's and then send them back onto the Department of Labor. We are truly the middleman in this particular endeavor and yet the responsiblitiy in the law is placed in the Governor for what happens with these particular contracts. The timeframes are, in my opinion, very long and that's probably an understatement, and I don't think they could be shortened in any way given the bureaucracy with which the system's been established so, I would agree with Mr. Balcer that perhaps if you take a look at this and find some way to decentralize this and I don't know whether that would mean a reduction of that 25 percent to some smaller percentage, changing that system in some fashion, or whatever, something needs to be looked at in that regard to change that.

Mr. MARTINEZ. I agree with you. In that regard, I would welcome the opportunity to meet with you when you go back to Washington, that you might meet with—if you have time while you're back there——

Mr. BALCER. Yes, sir, I'll be there on the 20th, the 21st and the 22d.

Mr. MARTINEZ. All right. If you have some time in there, you might meet with me and the staff director and we might talk some more about some other things.

Thank you very much. Your testimony here again has been invaluable to us and we appreciate it.

The next panel will be Howard Owens and Richard Chavez. I don't see Mr. Chavez. All right. I understand Mr. Chavez has sent Mr. James Zito and Mr. Corrales. I have more people here than I have names for so I'm going to ask you to introduce yourselves as soon as you are seated.

Mr. CORRALES. I'll just stand, sir.

Mr. MARTINEZ. All right. Now, we have two people over here. We're going to do that right now. We have——

Ms. STANLEY. I'm Elizabeth Stanley representing the Los Angeles County Federation of Labor.

Ms. BANUELOS. I'm Lucy Banuelos and I'm from Rockwell International from Seal Beach.

Mr. MARTINEZ. Welcome both of you. Now, is there anybody here that we have not identified?

Mr. CORRALES. I'm Mr. Corrales. This is Mr. Zito.

Mr. Martinez. Right; and this is Mr. Zito.

Mr. ZITO. Good morning.

Mr. MARTINEZ. All right. Mr. Owens, would you commence?

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STATEMENT OF HOWARD OWENS, EXECUTIVE DIRECTOR, UNITED AUTO WORKERS, LABOR EMPLOYMENT AND TRAINING CORPORATION

Mr. OWENS. Yes, sir, Mr. Chairman and members of the panel, staff, my name is Howard Owens and I'm the executive director of the UAW, Labor Employment and Training Corporation. I also happen to be the executive director of Los Angeles Business Labor Council and the reason I mention the Business Labor Council is I was invited here to appear as the executive secretary of the UAW's training program, but the Business Labor Council is focusing in its direct attention to coordination of delivery of services under title III and so I think that makes it rather significant—a rather significant community organization. I might also mention before I get into the subject of my text this morning that Elizabeth Stanley, who just introduced herself, works for UAW/LATC and sometimes is assigned to BLC and here this morning represents Bill Robertson from the County Federation of Labor, so she comes pretty well-credentialed.

Mr. MARTINEZ. I would say.

Mr. OWENS. And the other lady who is here, Lucy Banuelos, is a graduate of one of our programs and we have been asked to bring a graduate today and I think she represents our typical graduate very well.

Mr. MARTINEZ. We're very glad to have both of you here.

Mr. OWENS. We—the UAW's Labor Employment and Training Corporation—run a number of different kinds of training programs, mostly sponsored by public dollars, and much of that is under title III. Our training programs are in several of the Western States of the United States and we regionally encompass the area that the UAW considers its western region 6, which is directed by our regional director by the name of Bruce Lee who also happens to be the president of LATC.

Some of the programs on retraining of laid-off workers, some of our early-on experiments, included the retraining and replacement of the workers that were laid off out of the General Motors plants in Fremont and in South Gate and those were highly educational efforts for us and then we went into the retraining of the people laid off at the Ford Milpitas plant and, out of all of those, we used a combination of fundings, including some title III money. One of the things, and I think that Lucy Banuelos will represent that to some degree today, that we found not only in these experiments but in others where we've had problems is that very frequently the amount of our funds that come in to assist in the program where you have large layoffs come far too late and there needs to be a mechanism put into place where—where the moneys can be forthcoming at a time where people can best retrain; that is to say, while they're still entitled to unemployment benefits and while they have some way to sustain themselves while they're being retrained. In many instances, including the instance relating to Lucy Banuelos, they have expired their unemployment insurance benefits and are on welfare or on very little income before—before they have access to the public fundings that get the training going.

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The UAW's job training programs today happen to be in kind of a unique place for a short span in history because of our very close ties and connections with the aerospace industry which happens to be one of those industries that is currently in a growth cycle and so that we have had the good fortune of being able to take laid-off workers from General Motors and from Starkist and from the steel plants and from the Todd Shipyards and other places and be able to retrain them and to recycle them into places like Rockwell International, McDonnell Douglas, Hughes, and the other aircraft companies. This probably doesn't represent an area where the long-range planning for the expenditures of title III could be put in great numbers of dollars because we all know that this industry is extremely cyclical and that it has had in my lifetime of work many ups and many downs and so that we're enjoying that great period of going up in that industry right now, but we do not expect it to last for a long period of time, and so the experience that we're having with relation to the use of title III there, may not have the best of long-range relevance but it is, you know, quite pertinent right now because I think because of that connection that we have with the aerospace industry we've been able to do some of the most successful expenditures of title III funds of anybody in the area; that is to say that we've been able to take those workers from the areas that I just talked about and others and retrain them and put them to work generally at minimums of $9 an hour plus, when we run them through our classroom training programs, so that they learn to be able to structure airplanes and to install the electrical equipment in the airplanes.

Additionally, UAW operates quite a number of on-the-job training programs. We currently have contracts in excess of 400 employees in the Los Angeles area, which includes Orange County by the way; that is the metropolitan area of Orange County. And, in those, we design specific training programs for employees who go on to the jobs with those employers and then go—then graduate into unsubsidized employment. We've been doing that for quite a number of years, probably for 25 years, and still have a large part of our operations directed at OJT and I think that some of the people that work at OJT Job Development on our staff have been at the job for 15 and 20 years; we have some pretty good experts in that area, so that we—we're reasonably successful, we think, in our OJT placement but that's always a very difficult job, as somebody testified earlier, and you have to be on your toes; you have to have people that really know what they're doing and how to go and how to develop those jobs in order to keep them flowing properly but we do do that and do it reasonably well. We have OJT contracts and some of the OJT contract money is title III and some of it's IIa and others, but we have—we currently run OJT contracts with Los Angeles County, Los Angeles City, with the southeast Los Angeles consortium with Long Beach, with Orange County, in this area, as well as some programs in the bay area. And I think that the emphasis that I would like to make, and there's a number of things that I'm interested in but, because of the limitation of time, I'm going to emphasize in two areas. One I've already done to one degree or another and that is that there needs to be a mechanism put into place that could meet the problem when it can best be

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served rather than meeting the problem when it's so far down the road that a lot of people are in serious trouble before you begin to meet it.

Now, as somebody else talked about earlier, it may save the expenditures of dollars but it's a more effective expenditure of dollars. Usually, the dollars arrive anyway but they arrive very late and it's much more costly to retrain people after they've run out of unemployment benefits. In connection with steel workers and George Cole, who testified earlier, we've had to feed a number of the classes that we've had because that was, in many cases, the only hot meal that they would have in a day while they were going through our classes was what we fed them at noontime through those kind of programs.

The other area that I think that needs an awful lot of attention is properly a method by which you can properly determine the delivery capacity of people and organizations that apply for title III funds. I said to somebody the other day, and I think I would repeat here, that we recently bought about $180,000 worth of equipment that was bought initially with—for these kind of programs. And we bought it at about—for about $11,000 and it was because somebody had a dream to develop these kind of programs and they were unable to deliver it. There's a lot of this kind of thing around Los Angeles today; I don't know how it is in any other area of the country but, in Los Angeles, there's a lot of organizations that have gotten into the business of delivery service under the JTPA titles and the CETA titles before them, and were really unable to do that and a lot of those represented less than the most effective use of public dollars.

Now, with relation to the question of overall dollars, I really don't know. I think that, in the truth of the matter, that with the kind of unsettled and restructuring work force that we have in America today, that you could—that there really is kind of a limitless need for title III funding, depending on what you want to do with it. If you want to get into areas of just retraining those people that have been laid off, that's one thing. It seems to me that it might make a lot more sense to begin to train people that you know are going to be laid off because their skills are becoming extinct so that they could remain at work at the plants that they're currently at. As a matter of fact, we have two such programs that are currently in effect at General Motors in this area, where there's a strong change of technology, where they're robotizing, so we're taking assembly workers and retraining them to do robotization programming, an entirely new paint process; where that paint process was wiped out we developed an entirely new paint process. We trained people to do that. Now, not under title III because title III wouldn't have allowed us to do that, at least we don't think it would have, but we were doing that under the State Employment and Training Panel Act but it seems to me that would be a better use in many instances of title III funds than waiting till somebody's already lost their job and then restructuring them with another company. If you could save their jobs with the company that they already know and they've already developed their loyalties so and so forth, it seems like that might be a better use of dollars, so that you could go on and on with the kind of necessities and I

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think somebody else, I think Elizabeth, is going to develop much further into the area of job creation, but the truth of the matter is that that's a possible effective use of job training funds.

So, we would like to see, I guess, a continuation of the funding at an even higher level than it is today, but with some careful thought as to how you deliver the moneys so that they're most effectively used and with some careful thought as to what the nature of the use ought to be. I think that will conclude for now for me. I would really like to have a chance to, in some fashion or another, explore with Lucy Banuelos her experiences with our program, and maybe you could do that through questioning or I don't know how you want to do that, but I do think it's important.

Mr. MARTINEZ. Well, why don't we just allow her to relate to us her experiences and how it's benefited her.

Ms. BANUELOS. OK. When I went through the program, it was about—I can't remember how many weeks it was, but it was several weeks. It seemed like a long time because I was so anxious to get into Rockwell. But, prior to that, I was on welfare, you know. My unemployment funds had ran out and I had to go on welfare and so then I went into the job training program for Rockwell and then I graduated and the next day I was working, Monday. I was a graduate on the Friday and I was working Monday.

Mr. MARTINEZ. What was the industry that you were laid off from?

Ms. BANUELOS. General Motors.

Mr. MARTINEZ. General Motors and then they closed up?

Ms. BANUELOS. Yes.

Mr. MARTINEZ. What you were trained to do was completely different than what you had been doing before?

Ms. BANUELOS. Yes.

Mr. MARTINEZ. Are you enjoying this now that you're doing the——

Ms. BANUELOS. Yes; I do. I love my job. I really do. I plan to retire hopefully from Rockwell.

Mr. MARTINEZ. Personally, what did the program mean to you when you were apprised of the fact that there was a program available where you could be retrained?

Ms. BANUELOS. I felt like it was a new opening for me. There was a chance for me, a new opening, you know.

Mr. MARTINEZ. How did you find out about it?

Ms. BANUELOS. Through my welfare agency.

Mr. MARTINEZ. That is kind of unusual.

Ms. BANUELOS. Yes; it's really done good for me and I'm a single parent.

Mr. MARTINEZ. I mean it's good. You know, they should try more of them.

Ms. BANUELOS. Yes; I think this is, you know, really wonderful for women like—I believe like me—you know, I'm a single parent and I have three kids and it just opened a new life for me; it really has. It helped me a lot.

Mr. MARTINEZ. That's great.

Ms. BANUELOS. We have good benefits there and I really like my job a lot.

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Mr. MARTINEZ. Have you interacted with other people that have had the same experience that you have had?

Ms. BANUELOS. Yes; I have.

Mr. MARTINEZ. How do they feel about it?

Ms. BANUELOS. They—some of my friends have gone through the program, training also.

Mr. MARTINEZ. Do you feel that all of them have benefited tremendously by this?

Ms. BANUELOS. Yes; I do.

Mr. MARTINEZ. How does your salary relate to the salary you were making before, the wage?

Ms. BANUELOS. I make more now.

Mr. MARTINEZ. You make more now?

Ms. BANUELOS. Yes; I do.

Mr. MARTINEZ. It's the way it should always be. I would never pass up the opportunity to have somebody who represents Bill Robertson not say a few words because Bill Robertson is a very dear friend of mine.

[Prepared statement of Howard Owens follows:]

PREPARED STATEMENT OF HOWARD OWENS, EXECUTIVE SECRETARY, UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS, LABOR EMPLOYMENT & TRAINING CORP.

Mr. Chairman and Distinguished Members: My name is Howard Owens and I act as Executive Secretary of the United Automobile, Aerospace and Agricultural Implement Workers Union's Training Corporation. It is known as UAW—Labor Employment and Training Corporation, UAW-LETC for short.

We operate at the present time programs throughout UAW's Region 6 which is the nine (9) western states where Bruce Lee is UAW Region 6 Director. Our training programs encompass a number of funding sources. Most of theses are either Federal Funds under the JTPA titles and passed through local and state Service Delivery areas, State Employment and Training Panel and private funding.

By far, the largest section of training is done through Title III, which is our subject for today or ETP money from the State of California. I mention both because they cover a lot of common ground in providing retraining for laid off workers.

Before we get too far into questions of title details I want to warn you that I'm an administrator and, as such, do a good deal of program creation and execution. However, if you want good reliable detail, hold those questions for Elizabeth Stanley who works on our staff and will be testifying today.

Our programs very simply take workers who are laid off and assess them to try to get them back into the workplace in the most efficient manner.

Many of these people require retraining before being placed on new jobs that will provide a level of sustenance that can support a family and maintain an acceptable standard of living. This, I think, is the area where L.E.T.C. gives you a lot of mileage for the dollars spent.

The figures vary depending on specific program members, but not very much. By in large, we retrain and place those that we serve at an average cost of about $3,500 per person.

We have training centers that serve several Southern California communities. The oldest and most productive is the center in Palmdale where we started training laid off General Motors workers and others for the Space Shuttle production.

Rockwell International had a good deal of trouble with the heat shield tiles on the Space Shuttle in the early voyages. We trained a large number of people to properly apply tile and to do the other work necessary to produce the variously named space shuttles.

That same center then turned to developing the necessary skills to produce the B-1-B and we are still doing that. When the Space Shuttle program was eliminated in Palmdale many of the laid off employees were hired directly to B-1-B production. Those who had been trained to do tile setting had to be retrained because there are no similar tiles on the B-1-B.

A combination of monies have trained and placed over 3,00 workers on good paying jobs ($9 + per hour). Much of that money was Title III.

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We have a school in South Gate, which, I understand a number of you will see today. There we train laid off workers to produce airplanes for McDonnell Douglas, Hughes and others. There we teach electrical and structures. We believe some of the most skilled workers in the area are coming from that school. These workers come from many laid off sources, such as Starkist Tuna, Todd shipyards, Steel companies, auto workers, etc.

We do many on job training projects as well, where we work with employers in establishing training schedules that lead to direct unsubsidized jobs at the end of a short period of time.

Mr. Chairman, it is my observation with relation to Title III funding that it badly needs some proper redirection in some areas. Two that I'd particularly like to address are (1) putting money in in a timely fashion so that problems can be addressed when there are problems and (2) establishing appropriate service delivery capability.

We recently had a problem in Palmdale and were awarded $1.47 million in Title III money to meet that layoff of space people. Much of the training has been done by other monies that we were able to use. If we had had no ongoing program people would have had to wait for July until now to begin training. When these kind of procedural delays occur, people exhaust their unemployment benefits and get into terrible circumstances in order to train.

We've had many classes where our instructors have also had to act as welfare guides in order for the class to survive.

One class in Los Angeles had 44 people who were welfare recipients many of those laid off workers. We fed them one hot meal a day. For many, it was the only meal.

That class graduated 12 long grueling weeks and 43 were placed on jobs at Rockwell in Long Beach.

We have seen many new service providers come and go in the Los Angeles area. We believe that much more serious consideration should be given to the capacity of delivery than has been the case in some instances. There are few retraining needs that cannot be met with existing capacity. If new people come into the market and we agree that they should, they should be examined carefully to see if they can deliver and, if, in fact funds are being provided from Title III to build new capacity where that capacity is already available.

There are a number of other recommendations that I'm interested in that should be covered by others so I will defer in the interest of keeping within my 5 minute time frame work.

STATEMENT OF ELIZABETH STANLEY, LOS ANGELES COUNTY FEDERATION OF LABOR

Ms. STANLEY. Bill's really sorry he couldn't be here today. I'm Elizabeth Stanley and Howard described all the various things that I do. I also am a former displaced worker. I worked at the General Motors factory in Fremont, CA, for 10 years on the assembly line.

Ms. OWENS. Good example of retraining.

Ms. STANLEY. Right. This is a displaced worker who became a grant writer but, anyway, I would like to sort of, one, concur with the testimony from various witnesses stating that JTPA title III should not be cut and that we've got to speed up the process of getting money to those areas who need it.

I'd also like to go—raise some larger questions which I think have been alluded to. We are experiencing a new round of closures and layoffs affecting growth industries like health care, finance, computers, and telecommunications. We're still seeing a shakeout in manufacturing as well. Another thing that's going on is that a lot of corporations are eliminating middle management positions, so we are going to be seeing in the next several years a lot of various groupings being thrust out into the work force in competition for jobs that may not exist anymore, and I think that that really means that we have to look at some—look a little bit beyond JTPA within its own confines. The question of community revitalization,

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the question of job creation becomes really important because, if you're training people for jobs that do not exist or for a shrinking number of jobs, you then have a big problem.

Another issue that's related to that is that the nature of work, the way work is performed in a lot of these newly growing industries is different. It's not necessarily a traditional 40-hour-week, so how do you define a successful job placement or job training? It differs, depending on the characteristics of these industries and those are things that I think need to be looked at. If you look at job training not just this year but in the several years to come, that's what you will see. So, I think that's one very important area.

A second—I think it also raises the whole question of whether we view job training in light of a national education and training policy or somehow separate, but I think we're moving into an era and many people have said this before where we have to look at the continuous education and training of our population. That leads to a second area which is that, in a lot of cases, there are jobs in the middle level that would be appropriate for upgrade that are growing vacant. This is especially true in health care, where they are having difficulty finding physical therapists and occupational therapists and medical transcribers. It's extremely costly and difficult to train someone from a different industry or an unemployed person for that kind of job in another industry. But, if you took people already in those industries, upgraded them, and then were able to backfill the vacant jobs in those industries with unemployed people you would have a much better flow with good career opportunities for people and I think again that that's a missing piece of the job training puzzle and certainly not dealt with by JTPA.

The other issue I wanted to talk to you about a little is who is being served and whether people are being served adequately, and I think as George Cole ably put it earlier, it's not—people are not being served adequately. I know performance base contracting is in vogue and that everyone likes it and I think—and I'm all for making training agencies accountable. But, when accountability mitigates against training those people truly in need, and it does, these training agencies are frightened to take people with low literacy or who don't speak English or have serious obstacles to employment, because successful completion of training, you have a real problem. I think that's reflected in the fact that in JTPA the numbers of women, under title III, who are being served is much lower than their representation in the work force and it's hard in a lot of cases for women to complete training because of child care and family problems and so on. I think that we—I think it's very important that Congress begin exploring what kind of incentives can be given for serving the hard-to-serve because you can't expect a training agency to take a loss. On the other hand, you know, you don't want people to be trained with no jobs at the end.

Finally, I think the other real area that—where there could perhaps be some technical assistance by DOL is that the most successful title III projects I've known about, and I've been involved in a lot of them, are those that really build in labor, management, community participation, and leadership in the actual operation and the day-to-day work of the project. And I think Pat said before, Pat

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Unangst, that she wanted programs that didn't do things for people but helped people do things for themselves and I think it's real important for unions and management and community organizations to be involved in these projects from the outset. It becomes much easier sometimes to just have a group of professionals in employment and training come in and register people and do everything for people but the longer lasting effect of things is when you have that kind of community involvement and I think we don't see enough of that. So, those are my comments.

Mr. MARTINEZ. Well, thank you very much. They are very astute comments. The one thing you mentioned is, on the performance base contracting, it was never intended that that should result in the training of those people most likely to be successfully trained. It was really created to make the contractor, the service provider, more responsive and more effective, actually more efficient, and it's sometimes not working out that way.

We'll hear from Mr. Corrales and then we'll go to questions.

STATEMENT OF LUIS DAVID CORRALES, CHAVEZ & ASSOCIATES INSTITUTE

Mr. CORRALES. Thank you. Mr. Chairman and members of the committee, I apologize for the absence of Mr. Richard Chavez, who is the executive director of Chavez & Associates Institute but, at the last minute, he was called out by Governor Dukemejian for an emergency meeting of the State personnel board. I myself am Mr. Corrales and am representing Mr. Chavez as director of Chavez Institute and delighted and appreciate greatly the opportunity and honor to stand here with my colleagues in training UAW and have an opportunity to talk to all of you today.

CAI, which I am going to refer to as Chavez' Institute, CAI has had the opportunity to——

Mr. MARTINEZ. Are you going to read your written statement?

Mr. CORRALES. Yeah. I'm going to read the statement.

Mr. MARTINEZ. OK. You can summarize it if you'd like and we'll insert it in the record in its entirety.

Mr. CORRALES. Good, good. Well, basically, I wanted to say that we've had an opportunity to work with the various directors and the various secretaries and we're really excited about the fact that we can pull together all of our resources and work together with Brock's administration, the new Secretary. We are in favor, as you know, of reducing the fiscal title III funding but, at the same time, we are asking that you combine the resources of JTPA title II and III, consequently creating a substantial pool for a group that we feel is really significantly going to be needed to be served. Right now, presently, the way the formula for title III is established, Mr. Chairman, is that they're not taking into account the high level of displaced or, I should say, the high level of unemployment among the clerical and service industries. So, at the same time, we feel that these areas are being underserved, along with the communication workers.

So, consequently, we ask that the committee take into account that really California is not a smokestack economy but it's more a service-oriented industry much like Nezbitt's talks about in creat-

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ing a technology, high technology entrepreneur service business atmosphere out in the California area here. So, consequently, the profile of the displaced worker for California is not really a white male, but what it is today is a female minority semiskilled worker and we feel that the female underskilled worker is going to become a very large, significant group here in the Los Angeles and southern California area. And a lot of our records and our statistics, based on a computerized study that was collaborated with the Los Angeles County Private Industry Council, we were able to pull together almost—over 5,000 to 6,000 different displaced workers and, in those categories, we came up with over 1,300 that were in displaced occupational titles within the clerical workers occupational category, so we feel that this is a very significant growing category. Many of the companies that are laying off in our area here, such as Bank of America, American Telephone & Telegraph and probably many of the aerospace programs, which will probably represent 30 percent of all of the unemployment opportunities in Los Angeles County are in dire need of clerical workers.

CAI—we're recommending that the reentry level private employment for displaced workers be created through short-term training, short-term advanced skill training which we feel will upgrade the skills of many of these people and be able to put them into advanced skill training opportunities.

As you probably know, the Chavez Institute has been in business for over 13 years, training in the automated business, the finance, the word processing, and the computer industries, and currently we put to work over 1,000 graduates a month—I should say per year.

We're excited that we are ever growing and that Mr. Chavez' dream has come true to develop a network of over 700 small businesses with 700 different types of companies which have proven that they can hire our graduates. But, at the same time, I think one of the things which has made our program successful is our personal development, our leadership dynamics, and our advanced motivational training as developed by such people such as Z. Ziegler, W. Clement Stone, and Vincent Peale and a lot of the other great ones who have come to the institute and helped us develop our program and, recently, we developed a specific leadership dynamic training program for the displaced worker that we felt has been very significant.

So, again, I'm asking that the committee look very heavily at this clerical cluster as a very large growing cluster, especially within the semi- and unskilled female and take hard consideration to allowing that to become a specific type of target group that can be serviced under title III and, at the same time, allowing us to create some kind of merger, even though there may be a reduction of title III. We ask that some merger be created of title II resources.

Now, at the same time, I brought Mr. James Zito, who's a student at Chavez Institute and himself a former auto displaced worker and he's enrolled at our institute there and we hope he will be graduating soon and be in a managerial position at a finance company.

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And, I want to thank you again on behalf of Mr. Chavez and myself for the opportunity to testify here and let's let Mr. Zito say a few words about his training. Thank you again.

Mr. MARTINEZ. All right. Mr. Zito, would you like to say a few words?

[Prepared statement of Luis David Corrales follows:]

PREPARED STATEMENT OF LUIS DAVID CORRALES, DIRECTOR OF CHAVEZ & ASSOCIATES INSTITUTE

Mr. Chairman and Members of the Committee, I apologize for the absence of Mr. Richard Chavez, Executive Director of Chavez & Associates Institute, who was called at the last minute by Governor Dukemejian for an emergency meeting of the State Personnel Board in Sacramento. I am Luis David Corrales representing Mr. Chavez, and Director of Chavez & Associates Institute (hereinafter CAI).

CAI has had the opportunity of working with former Secretary Donovan, Assistant Secretary Agraszani, and Assistant Secretary Casillas as a Title III prime contractor/service provider to service displaced workers in Los Angeles and Orange counties. We warmly welcome Secretary Brock's team approach of effective and efficient management of JTPA resources based on his preceding reputation of leading a cadre of outstanding government administrator(s).

CAI is not in favor of the Administration's request for reduction of Title III funding, contingent upon a merger of Title IIA and Title III programmatically occur. CAI's rationale is that Title III funding formula does not take into account high unemployment rates, thereby displaced target groups such as laid off clerical and communication workers do not receive service representation or national press the same as steel or textile workers in the Eastern United States do. Mr. Chairman, as you are aware, California is not a "smokestack" economy. It's more along the lines of a Nezbitt's Megatrend high technology-small entrepreneurial service economy. Therefore, the profile of the displaced worker in California is not a white/male and blue collar worker, but a female/minority semi-skilled person.

Specifically, 5,468 displaced workers were identified by a computer inventory prepared by the County of Los Angeles Service Delivery Area. The SDA identified some 1,390 displaced workers with occupational titles within the clerical workers occupational category. The companies that are permanently laying off clerical workers include but are not limited to Bank of America, Pacific Bell, American Telephone and Telegraph, and a variety of aerospace firms; 30 % percent of all employment opportunities in Los Angeles County are aerospace related.

CAI's recommendation to the Committee is that the vehicle for re-entry into private employment for displaced workers is short term in Advance Skills Training to upgrade skills for high tech and service companies, which are uniformly required skills before hiring.

Briefly, CAI is a private-for-profit vocational training school that was established 13 years ago to service the disabled as structurally unemployed disadvantaged. Mr. Chavez, who is a disabled/post polio epidemic victim, opened the school out of his garage and enrolled a half dozen Department of Rehabilitation disabled referrals over a decade ago. Today, CAI now graduates over 1,000 people per annum with advance skills such as Data Entry/Word Processing, Automated Business, Finance & Credit and Automated Legal Investigation.

CAI has a private employer network of over 700 small and large businesses that have long standing employment records of CAI graduates. CAI's combined average placement rate for all JTPA/Titles is 94 percent. The combined JTPA training revenues for CAI 1985/1986 amounts to over $2 million. What makes CAI head and shoulders above any training institution in the nation is its Personal Development Seminar component that has been developed and based on the motivational philosophy of Mr. W. Clement Stone of Chicago. Mr. Stone's educational training arm, PMA Communications, Inc., has assisted us in designing the component which has instilled high self-esteem and a plan of action to be successful in life for Displaced Workers.

Joining me today is Mr. James A. Zito, a auto/displaced worker, who is enrolled in our Automated Business Finance course and who will undoubtedly graduate as a Management Trainee for a local finance company.

On behalf of Mr. Chavez and myself, I thank you, Mr. Chairman, for the opportunity to testify before the Committee on such an important matter as putting our most hard working and loyal sector of the work force back to work.

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STATEMENT OF JAMES A. ZITO

Mr. ZITO. Thank you, Mr. Corrales. Mr. Chairman and members of the committee, I am James A. Zito. I am 45 years old and a former auto manufacturing supplies warehouseman with the Gates Rubber Co., located in the city of Commerce. I am originally from Pittsburgh, PA. I came to California for a better employment opportunity and found myself laid off in 1984. I earned a wage of $8.25 per hour as a warehouse order puller and was subject to corporate reorganization of the manufacturing division. When I exhausted my unemployment benefits, I became aggravated by repeatedly being rejected for employment by local manufacturers. Because of my age and lack of skills other than auto or warehouse, I could not locate a job. I didn't want just another handout from the Government. I was frustrated by the fact that I had no marketable skills other than warehouse. Then I attended a personal development seminar put on by the Chavez & Associates Institute and found out how I could help myself to be successful in life through the development of PMA, a positive mental attitude.

I was a former breadwinner. I had been laid off and now my wife is now the sole supporter. I felt depressed about the prospects of finding a job in high skills marketplace. Fortunately, Mr. Chavez and other staff members encouraged me to reconstruct my life and chart a goal to become a management trainee with such local finance companies as Transamerica, Household Finance, and ITT Finance.

Mr. Chavez has a famous slogan at the school. His slogan reads: "Give a man a fish and feed him for a day, but teach a man to fish and feed him for a lifetime." That's the PMA philosophy. That is persuasive at the school.

I recommend to the committee that without some skills training and PMA, displaced workers have little chance to reenter the labor force at a wage close to what they have earned at the manufacturing plants. Skills training and PMA is the key to my success. I thank you for the opportunity to testify this morning.

Mr. MARTINEZ. Thank you, Mr. Zito. I'd like to ask Elizabeth Stanley to react to something that Mr. Corrales said in regard to short-term training because on a national basis anyway, from the people that we've had testimony before, testimony on that particular subject, one of the criticisms is that short-term training leads to short-term employment. In fact, there is quite a bit of evidence to indicate that short-term training, where it may get somebody on the job right away and take care of an immediate need, it really doesn't insulate that person against another layoff. Would you respond to that because I think you touched on it in your testimony?

Ms. STANLEY. Yeah. I think short-term skills training is appropriate for some people. I would say, however, that too few people under JTPA get the kind of comprehensive reading, writing, computing, and thinking skills that are going to take them through many, many jobs because I think the future of our economy says that most people are going to go through four or five jobs in the course of a lifetime. So, while I think there's a place for short-term skills training within JTPA, I would not be in favor of focusing

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solely on that. I think it gets much more costly to keep retraining people a number of times.

Mr. MARTINEZ. I'm familiar with Mr. Chavez' Institute. I've known him for quite a while. He's quite an exceptional person. He's really accomplished a tremendous amount of success, considering that he's had some things to overcome. I visited his school at one time and I was in support of that kind of training that makes a person have a sense of value and a sense of realization that they can accomplish whatever they set their mind to if they want to take the time to work at it. What I'd like a response for you on is—because I think you indicated in your testimony also is that there needs to be some remedial training, which has been a question, whether that remedial training should really—be considered a part of the job training. Would you comment on that?

Ms. STANLEY. I think it defintely needs to be considered as part of job training and then there's a secondary question of how you do that well. One of the biggest obstacles toward taking remedial training or ESL is that—there's actually two; one is people's hesitance to admit that they cannot, you know, read or write or compute; that's very embarrassing and humiliating to people. You have to overcome that area. And the other is that a lot of times, since your unemployment is only going to last 6 months and it's nowhere—especially if you're an industrial—if you're not an industrial worker with some support which most displaced workers are not—it becomes very costly, you know, personally, to go through remedial training and then into classroom or on-the-job training without some kind of income support. So, yes, there needs to be more remedial and ESL programs but one has to look at how those programs are designed and the whole question of income support, if people are truly going to be able to complete them instead of drop out because they are panicked because they can't feed the kids.

Mr. MARTINEZ. Thank you. Mr. Owens, would you like to comment on any of that?

Mr. OWENS. No. I think everything's been covered pretty well.

Mr. MARTINEZ. All right. One last question I have because I hope that I heard it wrong but it is printed in your written testimony also that you favor the administration's request for reduction of title III funding?

Mr. CORRALES. Well, let me clarify that. What I'm saying is that I favor, contingent upon a merger of the present resources with IIa, to take into account the high unemployment groups that are, say, on the west coast which is a special type of target group but not necessarily a high priority target group based on the present administration.

Mr. MARTINEZ. Yeah, but why not retain the same level of funding because everybody benefits by that? I mean, even if you merge the two, there would still be retaining the level of funding, the initial level of funding, without that 55-percent cut.

Mr. CORRALES. Yes, sir. Yes, sir.

Mr. MARTINEZ. Everybody would benefit. I don't understand really how any reduction could benefit anything.

Mr. CORRALES. I don't think a reduction would benefit anybody. I would like to maintain and hold onto as much money as possible.

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Mr. MARTINEZ. Well, I am simply looking for clarification. Do you or do you not support the funding reduction because, you know, the present administration isn't taking into consideration programs or program effectiveness. So, to me, it's an unreal thing as far as I'm concerned to expect a 55-percent cut and I would really like to know do you or do you not support? Before you answer, Mr. Owens, you had something?

Mr. OWENS. Yeah. Well, I just wanted to say, with regard to the cutting of title III funds, and if you're really looking out after the overall interests of what this country is all about, I think if you take the case of Lucy Banuelos and multiply it times the many, many times that that sort of things happens, that Lucy Banuelos' small amount of money to retrain her back where she's making $11 an hour is a lot more economically feasible than cutting back that so that she could have lived on welfare for many, many more years. And the overall economics I think would be better served if we look at it in a long-range basis so that our people are working and creating wealth for our country rather than taking from it and that's what you get to if you start cutting back these kind of training funds.

Mr. MARTINEZ. I agree. So, then I ask again: Are you still maintaining that you agree with the cut, 55-percent cut?

Mr. CORRALES. No, sir. I only agree that if there is to be a cut that the money not be dramatically reduced or dramatically eliminated and that the resources be merged together and create a special group under title IIa, if necessary.

Mr. MARTINEZ. I'm not trying to put you on the spot but that last answer still doesn't really give me the answer I'm seeking for.

Mr. CORRALES. You're asking if I'm in favor of the administration cutting——

Mr. MARTINEZ. Because you state——

Mr. CORRALES. Yes, yes, yes.

Mr. MARTINEZ. You state here you are in favor of the administration request for the reduction of title III funds. You're in favor of it; that's what you state in your written testimony.

Mr. CORRALES. Yes.

Mr. MARTINEZ. So, you're in favor of that?

Mr. CORRALES. Let me—let me pull that written testimony and restate that, saying that we are not in favor of reduction.

Mr. MARTINEZ. All right. Very good. Thank you. I thank you all for appearing here today. Your testimony is very much—is of very much necessity for us to formulate what we need to do on the committee level as far as Congress is concerned and recommendations to them. Thank you. You wanted to add something?

Mr. ZITO. Excuse me, Mr. Chairman. I can't overemphasize the vital importance of what's happening here with the Chavez Associates. Like I stated in my testimony, in my predicament, without marketable skills, you're not going to go nowhere. Let's face it; technology has taken a giant step. You know what I mean? We're coming into the computer age as all you gentlemen well know and, believe me, if you don't fit into that category, you're just going to be another—another flea because—I use that word "flea" because it was a very important speech that Mr. Corrales put on at the seminar and, gentlemen, me being in that predicament, I can hon-

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estly say that the help that I have been given here at Chavez not only helps me but my classmates and other people that would be in the same predicament I am. I urgently urge you gentlemen, please, don't cut any program. Keep this going.

[Prepared statement of James A. Zito follows:]

PREPARED STATEMENT OF JAMES A. ZITO, TITLE III DISPLACED WORKER ENROLLED AT CHAVEZ & ASSOCIATES INSTITUTE

Mr. Chairman and Members of the Committee, I am James A. Zito. I am forty-five years old and a former auto/manufacturing supplies warehouseman with Gates Rubber Company in the City of Commerce. I am originally from Pittsburgh and came to California for a better employment opportunity, and found myself laid off in 1984. I earned a wage of $8.25 per hour as a warehouse Order Puller and was subject to a corporate reorganization of the manufacturing division.

When I exhausted my unemployment benefits, I became aggravated by repeatedly being rejected for employment by local manufacturers, because of my age and lack of skills other than auto/warehouse. I didn't want just another handout from the Government. I was frustrated by the fact that I had no marketable skills. Then, I attended a Personal Development Seminar put on by Chavez & Associates Institute and found out how I can help myself to be successful in life through the development of PMA—a positive mental attitude.

I was a former bread winner. I had been laid off and my wife is now the sole supporter. I felt depressed about the prospects of finding a job in a high skills market place. Fortunately, Mr. Chavez and other staff members encouraged me to re-structure my life and chart a goal to become a Management Trainee with such local finance companies as Transamerica, Household Finance and ITT Finance. In Mr. Chavez words, "If I give you a fish, I feed you for a day. If I teach you how to fish, I feed you for a lifetime." That's the PMA philosophy that is pervasive at the school.

I recommend to the Committee that without some skills training and PMA, displaced workers have little chance to re-enter the labor force at a wage close to what they have earned at the manufacturing plant. Skills training and PMA is the key to my success. Thank you for the opportunity to testify this morning.

Mr. MARTINEZ. Well, I think this is what we're all about is trying to maintain programs and to expand them if we can and that's why it's so important to have on the record Mr. Corrales' statement that he does not favor the cut and that's simply all I was trying to do.

Thank you very much, Mr. Zito.

Mr. ZITO. Thank you, Mr. Chairman.

Mr. MARTINEZ. We are adjourned.

[Whereupon, at 12:01 p.m., the hearing was adjourned.]

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